SMALL BUSINESS ADMINISTRATION'S SECTION 503 CERTIFIED DEVELOPMENT COMPANY PROGRAM

HEARING

BEFORE THE

SUBCOMMITTEE ON GENERAL OVERSIGHT

OF THE

COMMITTEE ON SMALL BUSINESS
HOUSE OF REPRESENTATIVES

NINETY-SEVENTH CONGRESS

SECOND SESSION

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SMALL BUSINESS ADMINISTRATION'S SECTION 503 CERTIFIED DEVELOPMENT COMPANY PROGRAM

WEDNESDAY, JULY 28, 1982

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON GENERAL OVERSIGHT,
COMMITTEE ON SMALL BUSINESS,
Washington, D.C.

The subcommittee met, pursuant to notice, at 9:15 a.m., in room 2359-A, Rayburn House Office Building, Hon. John J. LaFalce (chairman of the subcommittee) presiding.

OPENING STATEMENT OF CHAIRMAN LaFALCE

Mr. LAFALCE. The Subcommittee on General Oversight will come to order. The purpose of our hearing this morning is to review the performance of the Small Business Administration's Section 503 Certified Development Company program.

The 503 program was established by Public Law 96-302, enacted on July 2, 1980. This statute amended the Small Business Investment Act of 1958 by adding a new section 503. The 503 program authorizes State and local development companies to issue debentures that carry a 100-percent SBA guarantee; to sell those debentures using SBA as their sales agent; and to use the proceeds to make low-interest, subordinated long-term loans to small businesses. As the author in the House of the 503 program, along with Senator Sam Nunn in the Senate, I, naturally, have a strong interest in this program.

We examine the 503 program today against a backdrop of troubled economic times. Our Nation and our Nation's small businesses face the most serious economic crisis since the Great Depression. Real interest rates, business failures, and unemployment are at record highs. While the economy is in recession, small business is dangerously close to depression.

Given the severity of the economic problems facing our country, constructive and innovative action is necessary to stimulate a recovery. I submit that America's small businesses can provide the impetus for this recovery.

Small businesses have always played a crucial role in the U.S. economy. They constitute more businesses, furnish more of the private employment, and most important, create more jobs than any other sector of our economy. As a provider of jobs, as a deterrent to high prices and monopoly power, and as the wellspring of the innovation and development that have made our Nation a world leader

in technological advances and living standards, the small business sector's record is unsurpassed. It is the small business community that has been, and continues to be, the vanguard of our private enterprise system.

The health and vitality of our economy is directly linked to the strength and growth of our small business sector. We can only have a strong, broad-based economy if we have healthy and dynamic small businesses.

Our effort, therefore, must be centered on developing ways to aggressively stimulate more investment capital for small business. In doing so, we must recognize that all businesses are not created equal. If small businesses are to compete, and we know they can, it is necessary to take special steps on their behalf. The difficulty, however, is twofold. Investment capital must be readily available in the financial marketplace, and it must be at affordable interest rates.

In previous hearings before the subcommittee, we have heard how investment capital is not readily available for small businesses. We have heard that small business is being crowded out of the bank-borrowing market, the primary source of its financing.

This subcommittee has also heard in recent weeks that current business failures have reached epidemic proportions, and that the principal cause for the increase in business bankruptcies is our historic, high-interest rates.

The Section 503 Certified Development Company program offers an exciting and important financing tool to help small business in these dire economic times. It is designed to stimulate the growth of viable small businesses through a public/private partnership. The program's purpose is to help local communities by encouraging the expansion of small businesses within a defined area of operation.

The certified development companies provide long-term, fixed-asset financing to small businesses that would otherwise not be able to expand due to high-interest rates or lack of bank financing. By providing this service, the program enables communities to create jobs, increase their local tax base, expand business ownership opportunities, and offer improved community services.

In addition, the program is a flexible economic tool that can be used for other purposes such as city or regional development. Through this joint Federal Government/private sector program, financing for the acquisition of land and building construction, expansion, renovation, and equipment is available to small business concerns for up to 25 years.

Since its inception, the 503 program has established what some consider an impressive record. This is especially significant given the very brief period during which 503 has been in full operation. As of June 30, 1982, 239 certified development companies have been improved; 485 loans under the 503 program have been made, totaling $84 million. More than 300 of these loans were for existing businesses, and the remainder were for new businesses.

More importantly, 503 loans have created or saved 15,000 jobs. In addition, the average 503 program investment per job in fiscal 1982 is running at about $4,500, a decrease of approximately $500 from the fiscal 1981 cost per job. It is also significantly lower than the cost of each job placed in private employment through Government

or big business programs. The 503 program has benefited thousands of individuals and hundreds of communities across this country at relatively no cost to the taxpayer.

The 503 program is, in my judgment, crucial because it is one of the precious few sources of affordable capital to small businesses today. It is a program that is good for small business, good for Government, good for communities, and good for our economy. The question is: How is it working?

Given that the 503 program has been fully implemented, we now have a track record to review. The purpose of today's hearing is to look at that record. We will hear from the Administrator of the Small Business Administration, who is responsible for the operation of the program. We will also hear from experts in the field who work closely with the 503 program.

The subcommittee wants to learn how the 503 program is working. We want to know the failures as well as the successes. We want to scrutinize the program's weaknesses as well as its strengths. We also want to hear any recommendations for or against changes in the program.

Before we go to the first panel, I'd like to call upon the distinguished ranking minority member of this subcommittee for any comments he might have, the Honorable J. William Stanton.

OPENING STATEMENT OF HON. J. WILLIAM STANTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO

Mr. STANTON. Thank you very much, Mr. Chairman. I'll just take a minute for the purpose of congratulating you on holding these hearings.

You stated previously that you were the father of the 503 program here in the House.

I think I can honestly say, without your leadership this program would not probably be here. The hearings that you are holding at this time are very timely. The program, while it holds a great deal of promise, was rather slow in getting off the ground. I think it is understandable. The administration probably wanted to make sure that it had a solid base to start with. The new Administrator came on board. He desired to followthrough all the applications personally, I understand, for awhile.

But nonetheless, we are starting to get a track record, and I am hopeful that the witnesses will give staff and committee further information as to not only how the program is beginning to work but any improvements that you've seen in the initial kickoff stages that you think would be worthwhile for us to address in the future.

So, Mr. Chairman, I look forward to it, and let's get going.

Mr. LAFALCE. Thank you, Mr. Stanton. I wonder if the distinguished former chairman of this subcommittee, Mr. Addabbo, has any comments?

OPENING STATEMENT OF HON. JOSEPH P. ADDABBO, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. ADDABBO. Thank you, Mr. Chairman. As you have fully stated in your opening remarks, a review of the section 503 is particularly timely at the present. As you have also graphically

shown, small businesses are suffering a record number of bankruptcies, and there is little indication that this trend will be reversed soon. So, therefore, it behooves us to do everything possible to actually attack the very root cause of these failures, one of which continues to be a shortage of investment capital and, particularly, long-term loans. Small firms need affordable investment capital, and the 503 program should be the helping to fulfill this need.

This is our first hearing on the 503 program since it was enacted in 1980. I regret that I will not be able to hear the testimony in person, but I have to return to Appropriations to make sure that we have some reductions so we have money for these programs.

However, I will be reviewing the testimony and determine whether SBA has actually implemented the programs properly, and to determine whether these programs should be expanded.

I commend you on having the hearings. Thank you.

Mr. LAFALCE. Thank you. Our first witnesses will be a panel of experts from the National Association of Development Companies, NADCO. These individuals work very closely with the 503 program, and they probably have as much expertise as anyone concerning it.

I'd first like to introduce Mr. John Sower, the executive vice president of NADCO, and call upon him to begin the testimony and also to introduce the other members of his panel as he would wish.

Mr. Sower.

PANEL CONSISTING OF JOHN SOWER; STEVEN GURAIN; JOHN C. WEISS III; DAVID E. CAIN; AND ROGER L. PETERMAN

TESTIMONY OF JOHN SOWER, EXECUTIVE VICE PRESIDENT, NATIONAL ASSOCIATION OF DEVELOPMENT COMPANIES

Mr. SOWER. Thank you, Mr. Chairman. This morning, I am going to first introduce the members of the panel that are here with me. On my right is Steven Gurian, the executive director of the Long Island Local Development Corp. in Mineola, N.Y. To his right is David Cain, city councilman from the city of Columbus, Ohio, who is involved with the Certified Development Corp., in that city. To his right is Roger Peterman, who is executive director of the Commonwealth Small Business Development Corp. in Frankfort, Ky., a statewide organization, and to his right is John Weiss, who is assistant vice president of the Union Trust Co. Bank in Baltimore, Md., and who was formerly very involved with the BEDCO Certified Development Corp. in the city of Baltimore.

Mr. Kendall Bert, the president of this organization, who is also from the city of Tucson, Ariz., unfortunately, could not attend, so I will summarize his remarks.

A comment first, if I may, on the variety of the people that are testifying. We have a group that is affiliated with a county; we have a group that is affiliated with a State; and we have a group that is affiliated with a large Midwest city, an Eastern city and a Western so-called Sunbelt city—that's Kendall, who was not able to come.

The variety of all those people interested in these issues is part of the strength of this program today. Also we have Mr. Weiss, who

is a banker, who will give us a banker's prospective, and I am told he has to leave in the middle of the hearings to go to a loan committee meeting, so we will have him testify early, if we may, and then leave.

In a one-sentence summary, Mr. Chairman, regarding the status of the 503 program, I would say that we're off to a pretty good start, but we have some technical suggestions—about 30 of them, as a matter of fact—on recommendations that can help to facilitate the program and the mission of the program, more specifically increase the private sector involvement in the program.

With those remarks, I would like to now summarize the testimony of Kendall Bert, who is the executive director of the Tucson Local Development Corp. in Tucson, Ariz., and the first president of NADCO, and my comments will be in four categories.

The first is a thank you to you, Mr. Chairman, on behalf of ourselves, this panel, the entire 503 movement, for your leadership in supporting and essentially creating this group and this program.

Second, I'd like to say a few words about this organization, NADCO. It is a professional trade association organized solely to assist the 503 program. Its membership is most of the larger and more active CDC's, and the NADCO members thus far constitute about 65 percent of the loan volume of the program.

Our first organizing meeting was here in Washington last December. Our first membership meeting was in June. We have board members from each Federal region and officers as well, and all of them are from the Section 503 Certified Development Company Program.

In Mr. Bert's statement are the summarizing statistics that you went over. I'd like to comment that the highest loan production has been in Federal region I in Massachusetts, and in Federal region IX in California.

The lowest loan production has been in the Atlanta region, and in Federal region VIII. Generally, across the board, there is a strong network of people now using the 503 program, and for the most part, they are solid, professional competent people involved with job creation and small business financing in the 503 program.

There is also a table which shows the amount of approved debentures month by month thus far into the program. As was mentioned, our loan volume is not soaring. It's coming along. I think we are all a little bit disappointed. I would comment on perhaps three reasons why we are not seeing more: First, there is the economy itself. Many small businessmen are delaying on potential expansion projects, probably rightfully so.

Second, there are a lot of certified development corporations that have been certified in the last 6 to 8 months, and it generally takes some period of time in each community for them to debug themselves and start getting loans identified, packaged, submitted, and approved. So, we expect a snowballing sort of phenomenon in the future.

Third, the program itself, and there are some technical suggestions that this organization has for the program that would facilitate increased loan volume and impact. I'd like to comment on our recommendations for procedural changes.

Mr. LAFALCE. John, what has the interest rate been on the debentures, as a general rule, for the past 6 months?

Mr. SOWER. The interest rates have been in the 13- to 14-percent range, and just to review, that is a 40-percent second mortgage for an expanding company, and it is at a longer maturity than is available without the 503 program. Most of those debentures are in the 20- to 25-year range, and they, of course, filled the long-term financing gap for growing smaller businesses.

Mr. LAFALCE. Who have been purchasing the debentures so far?

Mr. SOWER. It is my understanding that, to date, that those have been sold to the private sector by going from the SBA to the Treasury to the Federal financing bank and to the private sector. The concept, of course, is to reach out to the pension funds and insurance companies who have been——

Mr. LAFALCE. But it's been so far the SBA and the Federal financing bank? There have been no direct sales to the private sector?

Mr. SOWER. That is my understanding.

Mr. LAFALCE. Is anybody working on the possibility of going directly to the private sector?

Mr. SOWER. Yes; we have had discussions with the big insurance companies in that business. I'm not terribly optimistic at this point. They just don't know much about small business. They are skeptical. They insure other kinds of mortage obligations. We are continuing to have discussions, and frankly, we have been waiting for a little bit of accumulation of data from the first several quarters of the program so we can now go back to them and show them what we have.

Mr. LAFALCE. Why don't you give us, as sort of a broadbrush, some of the major changes that you think are necessary in order to make the 503 program more effective?

Mr. SOWER. OK. They mostly are minor procedural changes. One of them—and you'll have to forgive me for our own technical language—is the alter-ego issue. There are two parts to this.

First, under the Economic Recovery Tax Act of 1981 the concept, of course, is to get private sector investors into the business projects, and many accountants will recommend that a businessman will separate the ownership of his building and property and put it in his name personally for tax reasons. Then the business will lease those premises and run the business.

That's considered good financial accounting. We are precluded by current SBA policies from doing many of those projects because of a requirement that if that does happen, that the ownership of the property and the ownership of the business has to be exactly in the same percentages, the owner of a small business owned 80 percent of the business and someone else owned 20 percent, if the ownership of the property was in that exact same formula, then the project would be double.

But if there is any variance like 81 percent and 19 percent, then it is not doable. This also has slowed us down on the use of limited partnerships as a form of business ownership because if we are trying to attract private capital into small business, SBA's current policies on this alter-ego issue preclude us from doing that.

I can just run through some of the other changes as well. They are listed in appendix C. A comment on where these changes came from: They came from the people in the field. They came into the trade association which had a technical issues committee which wrestled with these issues with two concerns: First, to facilitate the program; and second—which is very important to everyone—to protect the integrity of the program.

The suggestions were narrowed down, and they are presented in this memo.

Mr. LAFALCE. I don't want to ask questions that are going to get into the testimony of the other members of your panel, but if I ask you to explain some of the more major recommendations of the 30, would that be taking up some of the testimony of the other four gentlemen?

Mr. SOWER. Would it be possible to do that after they've testified because I think they each have some individual suggestions?

Mr. LAFALCE. All right.

Mr. STANTON. Mr. Chairman, I'm going to have to leave. But I do have a question that I would just like to follow up at this moment.

Mr. LAFALCE. Sure.

Mr. STANTON. I just noticed, after reading over your 30-some recommendations, which we will take a thorough look at that you say, "Some SBA field offices are discouraging private sector lender's leadership in CDC based on the notion of conflict of interest. . . ."

I turn to the next page. "Some SBA officers are prohibiting use of 503 funds for motels on the ground they are excessively high risk."

No. 3, "Some SBA officers are not following the SOP 50-22."

It occurs to me that there is a difference in the way each area of SBA office seems to handle the same problem. Am I correct in that observation?

Mr. SOWER. Yes.

Mr. STANTON. Universal feeling of the panelists? Same program, same object, say, motels. One handles it different in region V, in the Midwest, than it is handled on the west coast?

Mr. SOWER. Yes.

Mr. STANTON. Thank you.

Mr. SOWER. Mr. Chairman, perhaps at this time, if we have the other members?

Mr. LAFALCE. Just 1 second, John. In your 30 recommendations, just for my knowledge, do any of them deal with permitting the debentures to be used for working capital?

Mr. SOWER. No, no.

Mr. LAFALCE. No? That's one change that the committee made against my wishes. I'll go into that later with you. Second, do any of your 30 recommendations deal with the use of IDB's money to make up the non-Federal share?

Mr. SOWER. That is an issue of interest, but it is not included in this list. These are mostly procedural changes. They are not legislative issues.

Mr. LAFALCE. All right, fine. We will get to that later, then. Please proceed.

Mr. SOWER. At this point I would like to introduce into the hearing record Mr. Kendall Bert's prepared statement.

[Mr. Bert's prepared statement with attachments follows:]

PREPARED STATEMENT OF KENDALL BERT, PRESIDENT, NATIONAL ASSOCIATION OF DEVELOPMENT COMPANIES, AND EXECUTIVE DIRECTOR, TUCSON LOCAL DEVELOPMENT CORP., TUCSON, ARIZ.

My name is Kendall Bert. I am the executive director of the Tucson Local Development Corporation in Tucson, Arizona, and I am the first elected president of the National Association of Development Companies (NADCO).

My first comment is in the form of a thank you on behalf of myself, my community of Tucson, Arizona, this panel, and the entire NADCO association—to you, Congressman LaFalce for your leadership and assistance on behalf of the 503 program. We are aware of your efforts in successfully creating the 503 program and your support for this type of job creation tool. Again, we thank you.

The rest of my presentation consists of comments in four areas: 1. Our activities in Tucson, Ariz.; 2. NADCO—the new professional trade association for Section 503 CDCs; 3. The status of the 503 program itself; and 4. NADCO's recommendations for procedural changes in the 503 program.

THE TUCSON LOCAL DEVELOPMENT CORPORATION

The Tucson Local Development Corporation [TLDC] was organized in August 1979 as a private economic development corporation by the city of Tucson and its private sector. The city of Tucson provides staff, office space and other support services for TLDC. It is a public/private ownership that works. Over the past 2½ years—through the 502 and 503 programs—we have arranged financing for over 17 plants and companies totaling $10.6 million in local business financing and creating an estimated 520 new permanent private sector jobs.

People ask why the city of Tucson is so interested in 503—when we're in the so-called "Sunbelt" and are experiencing fairly rapid population growth. The answer is as fundamental as the definition of economic development itself. Average incomes in our community are low. The purpose of the 503 program is to help residents of the Tucson community to get more and higher paying jobs to improve their standard of living. Contrary to public opinion, the Sunbelt does not go untouched by the Nation's recession.

Current unemployment figures show that Tucson's jobless rate is in excess of 8.2 percent. The expansion of existing businesses via the financing vehicle, 503, is an important part of our overall economic growth strategy for Tucson.

But it is helping us to address another critical problem which faces our small business community. The 503 program is helping to fill a very serious long-term financing gap faced by Tucson businesses. In the process, it leads to the preservation and creation of much needed jobs as well as the expansion of our productivity capacity, tax base and overall economic health. All this is accomplished with very few federal dollars invested.

Earlier this month, Mayor Louis Murphy together with Ben Hill, president of TLDC, Miss Irenemaree Costello, SBA Regional IX Administrator and leaders of Tucson's financial community announced a significant expansion of the 503 loan program. In response to the Mayor's request, long-term financing is to be used in conjunction with SBA 503 loans. This provides the capacity to finance $30 million in local business expansions. It should create more than 1,200 new jobs.

In summary, I would just like to reiterate that the SBA 503 program has been a critically important economic development tool for Tucson and we are counting on its continuation and expansion in the future.

THE NATIONAL ASSOCIATION OF DEVELOPMENT COMPANIES

NADCO is a professional trade association organized to represent the interest of the Section 503 Certified Development Corporations around the country. Our membership includes most of the larger, more active CDCs, and includes 71 of the roughly 200 CDCs that have been certified. The NADCO members do most of the loan volume and had 65 percent of all approved loans as of March 31, 1981.

Our first organizing meeting was here in Washington in December 1981 and our first membership meeting was in June 1982. Our next general membership meeting is scheduled for the spring of 1983. Our officers and board members are shown on the stationery. We have at least one board member from each Federal region and we have vice presidents for certain specific issues such as administration, technical issues, congressional relations, and membership.

THE STATUS OF THE 503 PROGRAM

In summary, we are off to a pretty good start, perhaps despite the economy. There is now an active network of CDCs in most communities, and more are underway. The loan activity by Federal Region is shown in the table below. Federal Regions I (Boston) and IX (San Francisco) have been the most active areas. Federal Regions VIII (Denver) and IV (Atlanta) have seen the lowest volume.

TABLE I: SBA SECTION 503 PROGRAM—LOAN ACTIVITY TO DATE—MARCH 31, 1982

Regions	CDCs with one approved loan	Number of debentures	Dollar volume	Jobs
I	15	79	$11.9	$3,406
II	7	19	4.0	801
III	6	24	3.0	729
IV	9	22	2.4	665
V	19	63	9.7	2,642
VI	3	15	3.1	544
VII	7	43	4.4	22
VIII	3	5	.5	33
IX	14	72	18.6	3,588
X	2	20	4.8	423
Total	85	362	62.5	13,906

The monthly rate of growth of Section 503 loan approval to date in fiscal year 1982 is a bit disappointing—particularly when unemployment is at record levels and programs such as 503, which creates jobs in expanding smaller businesses, are so important.

We believe that the stagnation to date is due to two reasons:

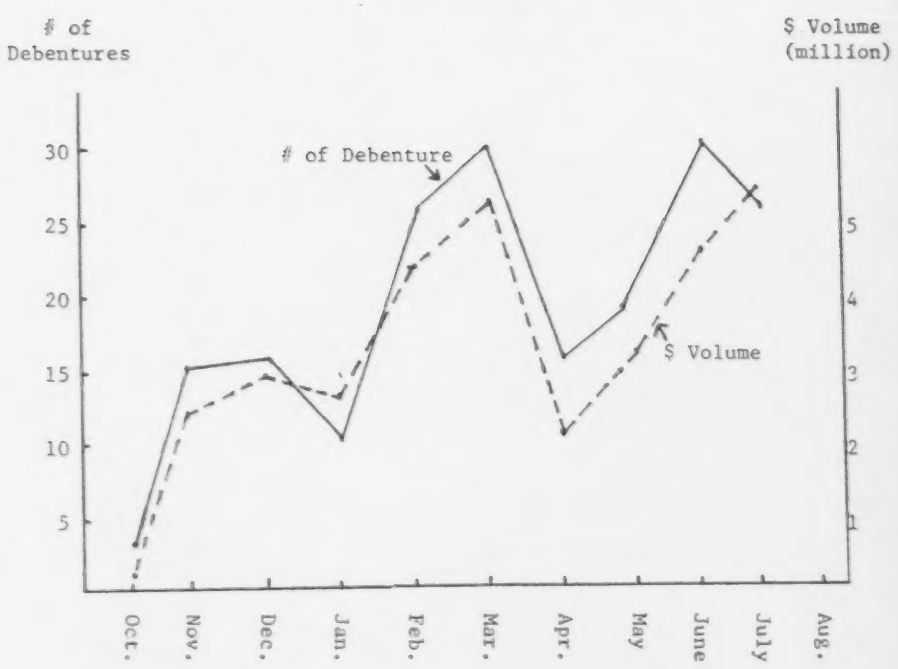
A. The Economy: Many smaller businesses are rightfully slowing their expansion plans due to slowness of the economy. Also, and of course, prevailing interest rates deter many expansion projects.

B. Recent Certifications: I believe it is important to point out at this juncture that less than 225 CDC's have been fully operating for the year and a half that 503 has been at full capacity. In that time, less than half that number of CDC's have been processing deals, and I believe very strongly that this accounts for the low loan activity as well.

I firmly think that a dramatic change will occur when the current number of CDC's are fully geared up and have initiated their outreach and marketing programs.

C. The Program Itself: We feel that there are many procedural changes in the program that can be made that will facilitate use of the program by qualifying businesses—particularly as part of the Reagan administration's efforts to stimulate the economy with tax cuts. These recommendations are summarized in the next sections and are included as an appendix.

SBA Section 503 Program
Table II: Monthly Schedule of
Approved Debentures



Month	Total Debentures	$ Volume (million)
Oct. 81	4	.6
Nov. 81	15	2.58
Dec. 81	16	2.96
Jan. 82	12	2.36
Feb. 82	23	4.88
Mar. 82	32	5.20
Apr. 82	15	2.31
May 82	21	3.21
June 82	29	4.26
July 82	26	5.24

RECOMMENDATIONS FOR PROCEDURAL CHANGES

The attached appendix has a list of over 30 changes and recommendations for procedural changes in the 503 program. I'd like to comment on the process for making these recommendations. They have all come from NADCO members, from professionals working in their communities on actual projects who are stymied by bureaucratic or other issues. These suggestions were put together by NADCO and given to one of the standing committees, whose members are listed and who consist of representatives of 13 different CDCs around the country. They then spent many hours debating the recommendations and writing the very specific technical suggestions.

Our goals are twofold:

A. Increased Volume: Many of the changes are recommended to reduce bureaucratic red tape and permit an increase in loan volume, which is important in creating jobs in local communities across the country.

B. Integrity: Another goal, at all times, is to protect the integrity of the 503 program and the investment in time and energy of the members of this subcommittee, the officials at SBA and many other government and private leadership throughout their community. No one is interested in abuses of the 503 program that detract from its important mission.

Let me call your attention to one example: "II. Alter-Ego". Please forgive us for our own technical language. In a nutshell, present SBA regulations significantly deter the use of the tax incentives, such as accelerated depreciation, investment tax credits, etc. to be used by smaller businesses who also seek 503 financing. With a little more understanding and with a minor procedural revision, SBA could significantly increase the impact of the 503 program in local communities. Other issues are also important but this issue is the most important.

To be specific, both before ERTA 81 and most specifically, since it has been passed, accountants recommend to small businesses to place the ownership of the depreciable assets (building and equipment) in different ownership than the business itself—so that the tax shelter can be passed to the owner of the business who is often in a higher tax bracket than the business itself. In many cases this is structured as a limited partnership. SBA's present regulations do not understand the use of limited partnership and they disallow projects where the ownership of the business and the property is in any way slightly different. Many mini businesses, particularly in older areas, could have the property owned by slightly different combinations of people than the small business itself. We strongly recommend consideration of this and the other changes.

CONCLUSION

We thank you again for the opportunity to present this testimony and we appreciate your ongoing support for this important program.

ATTACHMENT A

NADCO MEMBERS

REGION I

Bay Colony Development Corporation, 93 Border Street, West Newton, Massachusetts 02165.

Boston Local Development Corporation, 18 Tremont Street, #300, Boston, Massachusetts 02108.

Brockton Regional Economic Development Corp., One Centre Street, Brockton, Massachusetts 02401.

Eastern Maine Development District, 10 Franklin Street, Bangor, Maine 04401.

Lynn Capital Investment Corporation, 598 Essex Street, Lynn, Massachusetts 01901.

Massachusetts CDC, One Boston Place, Boston, Massachusetts 02108.

New Haven Commercial Investment Corporation, 157 Church Street, New Haven, Connecticut 06510.

Northern Community Investment Corporation, 20 Main Street, St. Johnsbury, Vermont 05819.

Ocean State Business Development Authority, 7 Jackson Walkway, Providence, Rhode Island 02903.

Plymouth Industrial Development Corporation, P.O. Box 321, Plymouth, Massachusetts 02361.

Providence Local Development Corporation, 10 Dorrance Street, Providence, Rhode Island 02903.

South Shore Economic Development Corp., One Federal Street. Boston, Massachusetts 02110.

Winooski Commercial Development Corp., 27 West Allen Street, Winooski, Vermont 05404.

REGION II

Albany Local Development Corp., 155 Washington Avenue, Albany, New York 12210.

Camden Local Development Company, 101 N. 7th Street, #201, Camden, New Jersey 08102.

Long Island Development Corporation, 1501 Franklin Avenue, #301A, Mineola, New York 11501.

Newark Economic Development Corp., 744 Broad Street, #2007, Newark, New Jersey 07102.

Syracuse Economic Development Corporation, 217 Montgomery Street, Syracuse, New York 13202.

REGION III

Allentown Economic Development Corp., P.O. Box 1400, Allentown, Pennsylvania 18105.

BEDCO, 36 South Charles Street, Baltimore, Maryland 21201.

NW Pennsylvania Regional Planning and Development Commission, Biery Building #406, Franklin, Pennsylvania 16323.

Philadelphia Loan Fund, One East Penn Square, #1412, Philadelphia, Pennsylvania 19107.

Small Enterprise Development, Co., 13 East Market Street, York, Pennsylvania 17401.

Urban Local Development, Corporation, 100 South Broad Street, #2032, Philadelphia, Pennsylvania 19110.

REGION IV

Areawide Development Corporation, P.O. Box 19806, Knoxville, Tennessee 37919.

Barren River Area Development District, P.O. Box 2120, Bowling Green, Kentucky 42101-1009.

Coastal Area District Development Authority, P.O. Box 1917, Brunswick, Georgia 31521.

Chattanooga-Hamilton County Development Corporation, 1001 Market Street, Chattanooga, Tennessee 37405.

Commonwealth Small Business Development, 2400 Capital Plaza Tower, Frankfort, Kentucky 40601.

Jacksonville Local Development Corporation, 128 E. Forsyth Street, Jacksonville, Florida 32202.

Local Dev. Corporation of Dade County, 1001 N. W. 54th Street, Suite L, Miami, Florida 33127.

Miami Citywide Development, 100 North Biscayne Boulevard, 9th Floor, Miami, Florida 33132.

Region D Council of Governments, P.O. Box 1820, Boone, North Carolina 28607.

Wilmington Industrial Development, P.O. Box 1698, Wilmington, North Carolina 28402.

REGION V

Chicago Assn. of Neighborhood Dev. Companies, 122 South Michigan Avenue, Chicago, Illinois 60603.

City-Wide Small Business Development, Miami Valley Tower, #2080, Dayton, Ohio 45402.

Columbus Citywide Development Corp., 140 Marconi Boulevard, Columbus, Ohio 43215.

Detroit Economic Growth Dev. Company, First National Building, #999, Detroit, Michigan 48226.

East Toledo Local Dev. Corp., 222 Main Street, Toledo, Ohio 43605.

Forward Development Corp., 1101 Beach Street, Flint, Michigan 48502.

Greater Kenosha Development Corp., 611-56th Street, Kenosha, Wisconsin 53104.

Greater Metropolitan Chicago Dev. Corp., One Concourse Plaza, #1000, Skokie, Illinois 60076.
Greater Southwest Development Co., 6249 Southwestern Avenue, Chicago, Illinois 60656.
Lawndale Local Dev. Corporation, 3210 West Arthington Street, Chicago, Illinois 60624.
Lawrence Avenue Development Corp., 3446 W. Lawrence Avenue, Chicago, Illinois 60625.
Mahoning Valley Economic Development Corp., 3200 Belmont Avenue, Youngstown, Ohio 44505.
Metro Growth & Development Corp., One Parklane Boulevard, #715 West, Dearborn, Michigan 48126.
Midland County 503 Corp., 300 Rodd Street, Midland, Michigan 48640.
Montgomery County Business Development Corp., 1700 Miami Valley Tower, Dayton, Ohio 45402.
Scioto Economic Development Corp., P.O. Drawer 1606, Portsmouth, Ohio 45662.
South Central Illinois Regional Planning & Development Commission, Marion County Public Service Bldg., Salme, Illinois 62881.
Southwestern Michigan Development Co., 2097 Division Street, St. Joseph, Michigan 49085.

REGION VI

Caprock Local Development Corp., 1709—26th Street, Lubbock, Texas 79411.
New Orleans Citywide Development Corp., 301 Camp Street, #216, New Orleans, Louisiana 70130.
Texas CDC, P.O. Box 1613, Cedar Park, Texas 78613.

REGION VII

Crossroads EDC of St. Charles County, P.O. Box 1454, St. Charles, Missouri 63301.
Corporation for Economic Dev., 102 E. Grand Avenue, Des Moines, Iowa 50307.
Iowa Business Growth, 901 Insurance Exchange Bldg., Des Moines, Iowa.
Kansas City Corporation for Econ. Dev., 1102 Grand Avenue, #310, Kansas City, Missouri 64106.
St. Louis County LDC, 130 S. Bemiston, Clayton, Missouri 63105.
St. Louis LDC, 1300 Convention Plaza, St. Louis, Missouri 63103.

REGION VIII

Provo Development Co., 351 West Center Street, Provo, Utah 84601.

REGION IX

Bay Area Employment Dev. Corp., 1500 Third Street, #D, Napa, California 94558.
Economic Dev. Corp. of Los Angeles, 1052 W. 6th Street, #510, Los Angeles, California 90017.
Inglewood Dev. Corp., P.O. Box 6500, Inglewood, California 90301.
Los Medanos Fund, P.O. Box 3197, Pittsburg, California 94565.
San Diego LDC, 1100—22nd Street, San Diego, California 92102.
Southern California Employment Dev. Co., P.O. Box 4657, N. Hollywood, California 91607.

REGION X

Evergreen Community Dev. Association, 818 Smith Tower, Seattle, Washington 98104.

ATTACHMENT B

RECOMMENDATIONS FOR PROCEDURAL CHANGES IN THE 503 PROGRAM—REPORT OF THE TECHNICAL ISSUES COMMITTEE, NATIONAL ASSOCIATION OF DEVELOPMENT COMPANIES

I. INTRODUCTION

The Technical Issues Committee of the National Association of Development Companies consists of the following members:
Chairman: Scott Berman, Lawrence Avenue Development Corp., Chicago, Ill.

Members: Jim Baird, Bay Area Employment Development Corp., Napa, Cal.
Liz Butler, New Orleans Citywide Development Corp., New Orleans, La.
Lynn Cunningham, Greater Southwest Development Corp., Chicago, Ill.
Al Emory, St. Paul Citywide Development Corp., St. Paul, Minn.
Patricia Fening, Columbus Citywide Development Corp., Columbus, Ohio.
David Gontarek, St. Paul Citywide Development Corp., St. Paul, Minn.
Art Goodman, San Diego County LDC, San Diego, Cal.
Kelly Harris, Provo Development Corp., Provo, Utah.
Tom Hoover, Columbus Citywide Development Corp., Columbus, Ohio.
David Main, Dayton Citywide Development Corp., Dayton, Ohio.
Judith McGough, Allentown Economic Development Corp., Allentown, Penn.
Joe McGraw, Scioto Economic Development Corp., Portsmouth, Ohio.

The Committee on behalf of the Board and the membership requests SBA consideration of the changes recommended herein in order to improve the operating capability and effectiveness of the SBA 503 Development Company Program.

II. ALTER-EGO

The present alter-ego rule excludes many viable businesses and projects which meet the intent of the 503 program, but which are declared ineligible based on technical non-compliance. SOP 50–22 Chapter 4, Paragraph 15 (a)(iv), (page 28 of the SOP) requires:

"The ownership interests in the applicant (alter-ego) shall be completely identical with and in the same proportion as the ownership interests in such small business concern, and the identity of interests shall remain unchanged until the loan is repaid in full or SBA sooner gives approval to a change."

This rule disallows alter-egoes who for any reason have slightly differing SBC stock ownership and real estate ownership compositions. Some companies reward their young and promising managers with stock or partnership interests in the company without giving them a share in real estate (or vice versa). SBCs who are second or third generation businesses often pass SBC stock ownership to those heirs who operate the business and real estate ownership to a broader group of heirs. The result is to have slightly different SBC and alter-ego entities, both of whom are fully controlled by the principals of the SBC.

SOP 50–22 Chapter 4, Paragraph 15(a)(iii), (page 28 of the SOP) requires:

"The proceeds of the loan to be used to benefit directly such applicant (alter-ego) will be used only to acquire or improve real or personal property for the exclusive use of such SBC."

This provision prohibits the SBA from assisting any alter-ego which is acquiring an existing building some of which may be leased out because it is not suitable for the SBC's needs (e.g. the second floor of a retail SBC, etc).

The Technical Issues Committee requests that both provisions be deleted and replaced with a provision similar to the following:

"The controlling interest of the alter-ego should be held by the same principals who maintain the controlling interest in the SBC, but such ownership interests need not be identical nor in the same proportion. The test for eligibility will be one of benefit inuring to the alter-ego. So long as the rental income from the project to the alter-ego entity does not exceed an amount sufficient to amortize debt service, and to pay property taxes, insurance, normal maintenance and management costs associated with property ownership, an alter-ego substantially controlled by the principals of the SBC will be considered an eligible borrower. Cross guarantees and the joint signatures of both the SBC and the alter-ego on the note will adequately secure the SBA."

Attached in Exhibit A are several examples of projects which have failed to comply with the SBA alter-ego rule.

III. "ADVERSE CHANGE" CERTIFICATION BY INTERIM LENDER

SOP 50–22, Chapter 6, Paragraph 25(a), (page 37–38 of the SOPs) requires:

"The authorization should contain the following provision: Interim financing for total construction is to be provided by (Lender) and prior to issuance of the debenture, CDC and SBA must be satisfied that construction has been completed in accordance with final plans and specifications, that no unpaid labor or material liens exist, that construction costs have not exceeded ($) project cost, that there exists a small business concern with the ability to repay its obligation to the CDC, and that such concern has not suffered a material adverse change since the date of this authorization".

This provision has been interpreted in SBA Field Offices that the Interim lender must make these certifications. The Architects Certification of Substantial Completion will certify that the project has been completed in accordance with the final plans and specifications. Title insurance will protect the SBA from unpaid labor or mechanics liens, and the SBC's attorney may certify that the project cost has not exceeded the authorized level or that additional equity has been provided to cover any increases. The existence of an SBC with the ability to repay its obligations is a credit question, not a legal question for an interim lender. The "adverse change" certification should be made by the SBC's attorney. The Technical Issues Committee recommends that the entire provisions be deleted.

IV. SOURCE OF INTERIM FINANCING

SOP 50-22, Chapter 6, Paragraph 25(b), page 38 of the SOPs, requires that "source of interim financing shall be limited to regulated lending institutions." This provision may substantially increase the cost of the project to the borrower because it prevents lower cost interim financing from being used in the project. Some CDC's have access to "CD float" or EDA Title IX Revolving Loan funds, and some SBC's may be able to squeeze some cash out of operations for a short period of time. This cash probably will be needed for working capital once the project is completed and inventory stocking begins or growth in sales occurs as a result of the plant expansion. Prohibiting these two legimate sources of interim financing injures the SBC. The SBA may adequately protect itself by requiring a Title Insurance Company to monitor construction advances. The Technical Issues Committee recommends this provision be deleted.

V. INTERIM FINANCING ON MACHINERY AND EQUIPMENT

SOP 50-22 Chapter 6, Paragraph 25(c), page 38 of the SOPs, permits sale of a debenture without an interim lender's loan if "the project cost consists only of the purchase of an existing facility." In addition to this provision, a debenture sale should be permitted in those situations in which construction has been completed and the only remaining use of funds before the project is fully completed involves the acquisition of machinery and equipment, the cost of which is small in relation to total project cost (say 15-20% of the total project cost). In such cases, the interim lender should be required only until construction is completed after which time the debenture may be sold. The debenture proceeds earmarked for machinery and equipment should be deposited into an escrow account at a regulated financial institution. Any balance remaining in the escrow account after the acquisition of the machinery and equipment may be refunded to the SBC so long as the remittance does not exceed 2% of the debenture proceeds. Any amount remaining in escrow in excess of 2% should be recaptured as an addition to the Reserve Account held by the CFA. The Technical Issues Committee recommends the adoption of such a provision.

VI. TEN YEAR MACHINERY AND EQUIPMENT DEBENTURE

Job creation and business expansion includes projects which consists solely of machinery and equipment acquisition. For projects which involve only machinery and equipment, a 10-year 503 debenture is needed to make the CDC program effective. In situations involving only M&E, the SBA should permit the first mortgage lender's loan to be seven years (instead of the normal 10 year minimum). The Technical Issues Committee recommends the adoption of a 10 year machinery and equipment Debenture with a 7 year First Mortgage clause. The 10 and 7 year provision should exist on M&E projects only.

VII. PRIVATE LENDER DEFINITION AND RESTRICTIONS

The definition of a private lender includes legitimate real estate mortgage financing companies who are major sources of credit for SBCs. The restrictions placed upon the private lender in the SOP 50-22, Paragraph 20b, page 31.3, require that "the private lender not have a pecuniary interest in, or relationship to the SBC receiving assistance, i.e., the owners, associates, or relatives to the SBC may not provide the first mortgage non-federal source of financing." Such a restriction insures a legitimate "arms length transaction" between lender and borrower and is fully supported by the Technical Issues Committee. Once the arm's length transaction is established, however, the other onerous restrictioins on the private lenders are unnecessary and the restrictions imposed on the regulated lender and private lender should be identical. Specifically, mortgage finance companies should be permitted

the same rate prime + 2¾%), maturity (10 years minimum with prepayment permitted at the borrower's option), and collateral (senior to SBA) as those afforded the regulated lenders. These changes will permit mortgage finance companies to participate in 503 more fully while simplifying the program operationally. The Technical Issues Committee recommends strict adherence to the "arm's length transaction" rule for private lenders while making the restrictions on regulated lenders and private lenders uniform.

VIII. TAXABLE EARNINGS ON THE RESERVE AND ESCROW ACCOUNTS

Because of the IRS ruling that interest on the Reserve and Escrow Accounts is taxable in the year in which it is earned, the Technical Issues Committee recommends that the earnings be refunded to the SBC on an annual basis. Should the IRS reverse its ruling, the earnings nevertheless should be refunded periodically (say every three years) because a refund of 50% or more at maturity is unnecessary and embarrassing to the Agency.

IX. CLARIFICATION OF "IN ANTICIPATION OF"

Confusion persists in the SBA Field Offices regarding what constitutes an eligible project cost if any funds have been expended prior to SBA approval of the project SOP 50–22 Chapter 6, Paragraph 26f(3) (page 42.1 of the SOPs) permits:

"Repayment of bona fide, short-term interim financing when the proceeds of such interim financing were actually used for plant construction, conversion and the like and had SBA approval in writing. SBA shall be permitted to take-out short-term interim financing, provided the loan application is approved, if such financing had been in place no more than 180 days from the date the CDC receives written approval from the SBA."

The above paragraph is seemingly generous, but it has been operationally difficult to implement. Some field offices interpret the paragraph to mean that the "written approval" is in fact the authorization. Other SBA offices refuse to issue written approval letters because District Counsel believes that a written approval constitutes a guarantee by the SBA to fund the project regardless of any disclaimers to the contrary.

The substantive problem with the paragraph, however, lies in the manner in which SBC's pursue expansion. After thinking about expansion for a period of time, the entrepreneur impatiently moves ahead with the project. He/she may contract to purchase real estate, purchase M&E at auction, etc. Only after he/she has a better understanding of the total project cost does he/she seek out financing. Paragraph 26 f(4) does not permit the inclusion of these "normal" ways of pursuing expansion. Because neither the bank nor the CDC were privy to the expansion before it was commenced, all elements of project cost incurred by the entrepreneur are ineligible because it was not financed by a short-term lender and was not pre-approved by the SBA in writing. This paragraph obviously violates the spirit of 503. The SOPs need to permit specific flexibility and judgment on the part of the Loan Officer to include as a part of project cost those funds expended by the entrepreneur in anticipation of the overall project even though a short-term lender has not financed them nor were they approved in advance by the SBA.

The Technical Issues Committee recommends that language similar to the following be adopted for the SOP: "Loan Officers may include in eligible project costs, funds which were expended by the SBC up to 180 days prior to the submission of a 503 application to the SBA provided the use of such funds can be verified as being an integral part of the project."

X. LIMITATION ON REFINANCING PROVISIONS

SOP 50–22 Chapter 6, Paragraph 26f(4), page 42.1 of the SOPs, permits:

"Debt consolidation may be permitted provided that the amount of funds used for such purpose is no more than 10% of the debenture proceeds."

This provision places an artificial limit which does not serve the best interests of the SBA, the SBC, the CDC or the First Mortgage Lender. The Technical Issues Committee is in complete accord with the intent of this provision, but believes the language regarding refinance in the SOP 50–22 dated September 1981 is preferable to the existing provision. The Technical Issues Committee recommends reverting back to the September 1981 SOP 50–22 provision regarding refinancing.

XI. LEASABLE SPACE IN NEW CONSTRUCTION

SOP 50–22, Chapter 6, Paragraph 26(d), page 41, requires:

"Debenture proceeds may be used for the construction of commercial rental space only under the following conditions: Commercial rental space, up to 15 percent of the total space is permitted when (a) reasonable projections of growth indicate the SBC will need additional space in the reasonably near future and (b) due to the nature of construction, it is not feasible to build an addition to the building in the future."

This provision, in effect requires the SBC to be at 85 percent of full capacity on the day on which the new building's doors are opened. This will force the SBC to undergo numerous small expansions which are prohibitively expensive. In addition, the 85 percent rule appears cumbersome and arbitrary when compared to the 51 percent rule for acquisition of existing buildings. Operationally, the program will seem less bureaucratic and the SBC will be allowed to undergo fewer moves and/or expansions if new buildings are subjected to the same rule as existing buildings. The Technical Issues Committee recommends that use of 503 funds be permitted in new construction projects so long as the SBC occupies 51 percent of the space.

In addition, the 85 percent rule has been interpreted in the field to mean a prohibition of SBA 503 assistance in projects involving an addition to an existing building in which the SBC has leased more than 15 percent of the building area to third parties. For example, the Denver SBA field offices believe an expansion to a two-story structure whose first floor is occupied by the owner-user SBC and whose second floor is unusable as retail space (and consequently leased out to others) is ineligible for SBA assistance even if 100 percent of the expansion is to be utilized by the SBC.

XII. ISSUES REGARDING FEES

1. Attorney fees: There appears to be confusion regarding a potential conflict between SBA Regulations and the SOPs. SBA Auditors have stated in several audits that the Regulations require the CDC attorneys' fee to be paid out of the 1½ percent processing fee. Since the Regulations supercede the SOPs, the auditors are finding the CDCs who pass on the attorneys' fee to the SBC to be in violation of the Regulations. This issue needs to be resolved quickly. No CDC can survive if ½ to ⅔ of its income is expected for attorneys' fees.

2. 502 fees: A CDC who packages a 502 loan presently is not permitted to receive similar compensation for providing a service similar to a 503 loan. The Technical Issues Committee urges the SBA to permit a similar fee structure for both 502 and 503 loans.

3. Upfront deposit fees: Most CDCs require an applicant SBC to make an application deposit (less than the 1½ percent processing fee) prior to packaging the loan. The deposit is to cover out of pocket expenses incurred in packaging the application and insures that the SBC will not walk from a commitment for financing after the SBA writes an Authorization. Typically if a loan is not approved, the deposit is refunded. Some SBA Field Offices prohibit such deposits which are typical in the private sector. If an SBC walks from a commitment without having to lose its deposit, the CDC will have expended a considerable sum of money to package the loan which will require packaging several more projects to reach break even. The Technical Issues Committee recommends SBA approval of language permitting an application deposit similar to that found in Exhibit B.

XIII. ISSUES REGARDING CERTIFICATION

1. Geographic areas: Some SBA Field Offices are designating minimum geographic areas for a CDC and discouraging the formation of CDCs who have less than a regional base on the theory that at some point in time a Regional or Statewide CDC will be formed. In reality, a CDC should be free to select its own boundaries based upon its priority and ability to service an area.

2. Membership requirements: Some SBA Field Offices are requiring minimum membership which far exceeds the SOPs requirement of 25 members. For example, some Field Offices require one member per county. In large states with many counties (e.g., Georgia) a near Statewide CDC would have a membership in excess of 100. In reality, the CDC should be permitted to determine its own membership selection requirements so long as it meets SOP guidelines (i.e., 25 members).

3. Private sector leadership: Some SBA Field Offices are discouraging private sector lenders leadership in the CDC based upon a notion of conflict of interest. In reality, strong private sector lender leadership will enhance the quality of deals submitted to the SBA.

4. Election of the board: SOP 50-22, Paragraph 8(b) requires: "The CDC's board of directors and officers must be elected by the membership/stockholders and not appointed to their respective positions".

This provision will prohibit CDCs from being formed with strong public sector leadership. Mayors and Governors who organize CDCs to serve the public interest should be permitted the authority and privilege to appoint the Board and Office Strong CDCs whose leadership depends on public sector support will suffer.

5. Capitalization: Rumors continue to persist in the field that a CDC may be quired to provide its own capitalization. In reality, most successful CDCs exis shoe-string budgets with no surplus capitalization. Public sector related C cannot raise capital from (say) City Council in excess of the current year's bu because the council cannot encumber tax revenues it has not yet received. P private sector CDCs provide the staff by having another entity (e.g. a Chamb Commerce) cover the staff costs. Requiring capitalization will be the death knel most successful CDCs.

XIV. FINANCING RELATED ISSUES

1. Single purpose buildings: SOP 50–22 Chapter 1, Paragraph 2 notes that assistance is not intended for: "To finance construction or purchase of buildings designed to be used only for a single purpose."

SBA Field Offices are interpreting this provision in a variety of ways. Some offices believe that any building short of a rectangular, block building suitable only for warehousing in special purpose (e.g., restaurants are considered special purpose in some Districts). The provision ignores the fact that a special use building may have many alternative users in the same building. Many users of "special use" buildings are excellent credit risks and make fine 503 projects. Good credit risk users should not be discriminated against on the basis of collateral risk especially if the likelihood of finding a replacement tenant is high. The Technical Issues Committee recommends that the issue of special use either be deleted or reworded recognizing that special use in a credit decision, not a policy decision.

2. Motels and office condos: Some SBA offices are prohibiting the use of 503 funds for motels on the grounds that they are excessively high risk. To the contrary, motels can be highly successful businesses and clarification to the filed should be made. The SOP 50–22 Chapter 1, Paragraph 2 notes that the 503 is not intended for use in office condos where job impact is insignificant. The Technical Issues Committee supports the intent of the provision but emphasis must be made to permit 503 office condominium financing where the economic impact standard is met. Much of America, especially in urban areas, is becoming service oriented. The latest DOL statistics indicate that for the first time in America's history, jobs in the service sector exceed jobs in the production/manufacturing sector. The service sector needs offices, not factories. Condominium office space typically is the wisest course of investment for a successful small business in much the same way home ownership is the wise course of investment for the American family.

3. Turn down letters: Some SBA Field Offices are not following the SOP 50–22, Chapter 5, Paragraph 19 (page 30 of the SOPs) which requires: "Application for financial assistance will not be accepted for processing and no assistance may be extended unless the CDC can demonstrate to the satisfaction of SBA that the desired financing is not available from non-federal sources on reasonable terms. Such evidence shall include a written notification from the first mortgage lender and the SBC's bank of account stating that such financing is not available to the SBC at the interest rate and terms prevalent in that community."

SBA Field Offices require a CDC to obtain two declination letters in addition to the first mortgage lenders commitment letter. Often, the lender must decline the loan on a 7(a) guarantee basis. The Technical Issues Committee recommends that Central Office reemphasize that the intent of 503 is to finance successful businesses who cannot obtain long-term fixed asset financing, not businesses which are unable to obtain credit. The paragraph is sufficient as written; Central Office need only issue a clarification of the requirement.

4. Assumption of a 503 loan: Nowhere in the SOP is the assumption of an existing 503 loan by an eligible SBC mentioned. With the prepayment penalty provision potentially causing widespread injury, the SOPs should permit an eligible SBC to assume an existing 503 loan should one SBC sell the real estate to another eligible SBC. This provision will make the property more marketable. The Technical Issues Committee recommends the adoption of such a provision.

5. Change in ownership of SBC: The Authorization and Debenture Guarantee contains the boiler plate language in item 1(e) that: "An agreement executed between the SBC being assisted and the CDC, providing that any and all outstanding obligations may be accelerated and payments called for by CDC and SBA if the SBC during the term of this loan effects without prior written consent of the SBA."

The Technical Issues Committee supports the intent of the provision. We do recommend, however, the following addition, as comfort to the SBCs who are incurring an obligation which will not mature for 15–25 years: "Such prior written consent will not be unreasonably withheld so long as the resulting ownership entities meet the SBA's definition of an SBC and satisfy the SBA's credit requirements."

6. Financing both M&E and real estate assets: Confusion in the field exists over what M&E may be included in a 503 project. Some SBA Field Offices permit only M&E which has a life of 15 years or more. Others permit the weighted average life of the assets in projects including both M&E and real estate. The Technical Issues Committee recommends that SOP 50–22, Paragraph 26(e) be expanded to include a single paragraph permitting the use of the weighted average useful life of the assets concept in projects including both M&E and real estate assets. The weighted average useful life of the assets minimally must equal 15 years.

7. Equity build-up in a building: In projects involving renovation to existing buildings already owned by the SBC, the question always arises regarding the use of the equity build-up for the 10% local injection. The SBC, in reality, has invested considerable amount of cash into a project in the process of paying down the existing mortgage. The Technical Issues Committee recommends that a subparagraph be added to SOP 50–22, Paragraph 26(c) permitting the use of equity in an existing building as the local injection subject to the following conditions:

1. The equity can cover the 10% injection only. The SBC cannot fund out its equity and receive any refund.

2. The provision applies only to equity in real estate, not equity in various pieces of M&E.

3. The equity build-up will be calculated as follows:

Equity Build-up=Cost of Building−Outstanding Mortgage.

This definition by using cost rather than appraised value requires actual cash to have been injected.

4. The equity build-up must be supported by the appraisal (i.e., the appraised value must equal or exceed the original cost). To the extent that the appraised value is less than the original cost, the equity build-up will be diminished, dollar for dollar.

8. Personal net worth in 502 projects: Many SBA Field Offices require the principals of the SBC to meet the 7(a) personal net worth restrictions in 502 projects rather than 503 personal net worth restrictions. The Technical Issues Committee recommends the SBA Central Office issue a clarification permitting the 503 personal net worth test to be applied to 502 projects.

9. 10 year balloon payments: Many SBA Field Offices ignore the provision permitting balloon payment mortgages from regulated first mortgage lenders unless the lender commits to refinance the mortgage at the end of the tenth year. The reality in the market in the Northeast and Midwest is that no lenders (even the so-called long-term lender insurance companies) are providing mortgages in excess of 10 years. The alternative is to require the first mortgage lender to self-amortize the 10 year mortgage which only increases the debt service burden on the SBC and the risk to the SBA during the early project period. By year 10, equity has been built-up in the building, prices of the real estate have probably appreciated, SBC sales will have increased, and the relative burden of the loan on the borrower will have decreased. The risk lies not in the balloon; the risk lies in the excessive debt service if the balloon is not permitted. The Technical Issues Committee requests SBA Central Office to issue a clarifying memo to the field.

10. Rate restrictions: Several 503 first mortgage lenders do not use New York Prime as the basis of their rate calculations. The Technical Issues Committee requests the SBA permit alternative definitions of rate calculations including local prime (if published locally) and LIBOR (the London Interbank Rate).

11. Forward commitment: SBA policy discourages 502 guarantees or 503 debentures as forward commitments in projects being constructed by property developers even when the commitments are contingent up on identification of a qualified SBC and the approval of the loan by the SBA. Professional developers of industrial parks can relieve SBCs of much of the risk and expense of purchasing or constructing property. In order to proceed, they need to know that SBA 502/503 financing is available to qualified and credit worthy SBCs. The Technical Issues recommends that SBA policy permit form and commitments with approprite contingencies safeguarding the SBA.

XV. ISSUES RELATED TO SERVICING, REPAYMENT AND REPORTING

1. PM servicing requirements: SOP 50-22, Chapter 5, Paragraph 20 a(c)(7) requires: "The Lender (PM Lender) must demonstrate to the satisfaction of SBA that the loan will be adequately serviced."

The PM lender is not a financial institution and the requirement that is act in a capacity similar to a financial institution is unrealistic. The CDC will have to service the PM projects more closely. The Technical Issues Committee recommends that this restriction be deleted.

2. Prepayment penalties: The potential problems with prepayment penalties are enormous. SBCs who prepay debentures may be forced out of business. The Technical Issues Committee recommends that elimination of the prepayment penalty be investigated. Two possible solutions include: 1) not allowing prepayment discount windfalls (in rising rate environments) to accrue the SBCs and using the discounts to fund out premiums in falling rate environments, 2) allowing SBA to charge a 1% up front fee to be used to establish a prepayment pool from which any prepayment penalties would be paid. The SBC could be permitted to elect to incur the 1% fee in exchange for relief from the prepayment penalty burden.

3. CDC servicing requirements: The SBA has no policy concerning the CDC's servicing obligations. The Technical Issues Committee requests to convene with the SBA Central Office to establish reasonable and uniform servicing requirements for CDCs.

4. CDC reporting requirements: SOP 50-22, Chapter 2, Paragraph 9(a) (1), (2), (3) (page 17 of the SOPs) require the CDC's Operating Report to include:

Summaries of meetings in which a change in membership, Articles, and/or bylaws occur;

The date and location of all CDC Board meetings; and

A discussion on actions taken on loan application and proposed projects.

This information is contained in the minutes of the meeting which will be available to the Auditors at all Audits. The Technical Issues Committee recommends that the Audit Review replace the Operating Report requirement.

XVI. MISCELLANEOUS ISSUES

1. Private sector advisory group: Presently, no one in the SBA 503 Central Office has a Private Sector Advisory Group to work with in thinking through proposed changes and improvements in the 503 program. The Technical Issues Committee recommends that Central Office form an ad hoc advisory committee consisting of Central Office, SBA Field Offices, NADCO and others to provide on going dialogue on proposed changes in the SOPs.

2. Regulations versus SOPS: SBA Auditors make references to conflict between the SOPs and the Code of Federal Regulations. The result is causing much uncertainity in the Field, within both SBA Field Offices and within CDCs. The Technical Issues Committee requests Central Office to review the consistency of the regulations and the SOPs and to make corrections as necessary.

Mr. SOWER. At this point, I would like to introduce Mr. Steve Gurian to testify next, and then Mr. John Weiss after him, and then Mr. David Cain to follow Mr. Weiss, and Roger Peterman to bat last, and finish up, if that's all right.

Mr. Gurian.

TESTIMONY OF STEVEN GURIAN, EXECUTIVE DIRECTOR, LONG ISLAND LOCAL DEVELOPMENT CORP., MINEOLA, N.Y.

Mr. GURIAN. Thank you. Gentlemen, by way of introduction, I'd like to give a very brief personal background which started off in 1962 when I became a member of the Advisory Council of the SBA.

I was responsible for the starting of the first development corporation on Long Island in New York. That has been in active progression for some 18 years as probably one of the leading 502 development corporations, and we hold certificate No. 5 in the 503 program and I believe the first approved project under the program came from Long Island. At least, this is the impression I get from the authorization number.

The community known as Suffolk and Nassau Counties has embraced the program, and are sponsors. We hold on our board of directors the senior executive officers of the county, including the two county executives.

I think that the examination of the force of the development—community development programs of the SBA plus the other community development programs is easily examined inasmuch as we currently have an unemployment rate of less than 5.6 percent as compared to the rest of the State and the rest of the Nation.

A great deal of it, I think, is traceable to the activity in the two counties with regard of the use of Federal and other public funds and other programs for job creation. We now have concluded almost 2 full years of activity since our first authorization was issued in October 1980, and while there are a number of approved and certified development corporations in the State, we—because of our headstart and because of the type of activity we have—have approximately 60 percent of all of the approved CDC programs in the State of New York at the present time.

This background is only for the purpose of giving some credence to my ability to observe the effectiveness of this program and where it can go, and what it can do for any given community. I have some comments that I would like to make from the very start.

No. 1, we suffered through with the SBA personnel prior to the start of the program, through today. I would like it to be spread across the records, at least of this committee, that the personnel that were assigned by the SBA to this program deserve very serious meritorious mention. I think they are professional; they are imaginative, and they respond to the needs as they occur—sometimes over the phone, and then to be followed through with the change in the SOP.

This, I thought, was most important because the intent of the program was very clearly defined, and yet it had to be brought into operation. Without that ability to respond and to modify the standard operating procedures, we would still be in approval rather than closing stage. At this time, we already have not only our own but—in the State and across the country—many, many approved projects.

I think that Mr. Stanton asked the question about the uniformity of enforcement throughout the States and through the various SBA offices. This has been essentially ad hoc reaction to situations that have come up. I would like to bring up some of these which I think should be clarified because we find that within each activity, there are different interpretations to these standard operating procedures.

While we can and do go back to the central office for clarification or a reaction that might permit something to happen; we still essentially must work through the local district office or the regional office for our day-to-day activities.

I make particular mention of the term which appears right on the front page of the SOP—Special Purpose Facility. The term "Special Purpose Facility" is designed to keep out of the program those particular projects which may not be fully collateralized and may then become a burden upon the SBA and eventually the taxpayer to make up for a default that is not properly collateralized

and covered. In this regard, we find that in some communities, such things as a slope used for skiing can be developed on the 503, or an entertainment area or an entertainment project or a drive-through carwash. Yet in another area, a restaurant where you might have as many as 50 or 60 employees, because of the per square foot cost that's incumbent upon a restaurant it is special purpose and is disqualified.

I strongly recommend that the community, having been charged with the establishment of a professional staff for the running of the community development CDC should have the responsibility to make the determination as to what truly represents a special purpose facility within that particular community.

Mr. LAFALCE. Is this one of the 30 recommendations?

Mr. GURIAN. I do not believe so, sir. I do not believe so. This is something that has gone through a number of changes since the original enactment and the regulations and the SOP's that follow.

Mr. LAFALCE. Thank you very much, Mr. Gurian. I think we are going to have to move on.

Mr. GURIAN. All right.

Mr. LAFALCE. Without objection, your entire statement will be made a part of the record in this hearing.

[Mr. Gurian's prepared statement follows:]

PREPARED STATEMENT OF STEVEN GURIAN, EXECUTIVE DIRECTOR, LONG ISLAND LOCAL DEVELOPMENT CORP., MINEOLA, N.Y.

The Long Island Development Corporation, the certified development company under Section 503 for the Nassau and Suffolk Counties and environs, was an outgrowth of the Section 502 local development companies—Long Island Economic Development Corporation, Second Long Island Economic Development Corporation, etc. which have been making loans under the Section 502 program (both direct and guaranteed) for 18 years in the Long Island Region.

In a sense, the 503 Long Island Development Corporation is a sister corporation with the 502 LDC's. The 502 LDC's have, over their almost 20-year existence built up a network of support from the diverse Long Island community including banks, businesses, town, county and State agencies, other development organizations, community groups, attorneys, accountants, realtors, and others. The 503 CDC draws upon the same network and, drawing upon its sponsorship from Nassau and Suffolk Counties, works closely with the county governments to determine and support the needs of the business community.

Long Island Development Corporation is set up as a nonprofit membership corporation under New York State law. Its membership is very diverse and representative of the community. Membership is drawn from local government including village, town, city, county and state; the private sector of financial institution; community organizations including labor unions and the NAACP; fraternal organizations; business organizations including various professional associations; local businessmen and other economic development organizations.

The CDC is run by a board of directors which is reflective of the membership—currently 31 directors who meet regularly. The board is assisted by various committees made up of directors including a finance committee, credit committee, lender relations committee, and executive committee. Day-to-day operations are the responsibility of the officers and professional staff. Long Island Development Corporation has three offices—a field office in each of the counties in which it operates and an administrative office, centrally located.

The CDC's goal is to work with the private sector to promote and assist the development of small businesses in the counties of Nassau and Suffolk and their environs.

The economic conditions in our marketing area (Nassau and Suffolk Counties) are unusual as compared with the rest of the country. The unemployment rate on Long Island is substantially lower than the national average—local rate being currently about 5.5 percent. Long Island also enjoys an excellent labor pool which is more highly educated with a higher percentage of professional people than the national

average. Business on Long Island consists of more hi-tech and service-oriented with light manufacturing, as compared to other areas. The major element of the economy is defense-oriented. In fact, Long Island is the hub of the aerospace and aviation defense industries for the country. Long Island businesses are currently very active in expansion, as is reflected in the fact that the SBA's Long Island office lends more SBA dollars than the balance of the New York District.

Long Island Development Corporation, for the fiscal year end Sept. 31, 1982 has, thus far disbursed nine debenture loans totaling $2,046,000, creating 225 jobs. Private sector participation was $2,805,000. Community participation (10 percent portion) was $88,200, and derived from a variety of sources including the small business applicant, its principals, suppliers, builders, and lending institutions.

In addition, Long Island Development Corporation was requested by the SBA to assist several qualified small business concerns applying for direct SBA funds under the 7A program by packaging the loan applications and putting together a total financing proposal. Four companies received $401,000 directly from the SBA. For these projects, LIDC helped to arrange private sector financing of $902,500, and, as a result, 115 jobs were preserved or created.

Four debenture loans have been authorized by the SBA and will close this fiscal year. The debentures total $855,000. Private sector participation is $1,186,000, and community participation is $223,000. One hundred thirty three jobs are being created by these four projects.

In addition, another four applications for debentures have been approved by the CDC and are currently being considered by the SBA. If approved, these projects are projected to close this fiscal year. Debentures will total $1,290,000. Private sector financing will be $1 million. Community participation will be $540,000, and jobs will be created.

Total projected activity for the fiscal year ending Sept. 31, 1982 is: 21 qualified small business concerns assisted; $4,191,000 debenture loans creating 511 jobs, and $401,000 direct SBA loans creating 115 jobs.

There are currently 18 approved CDC's in New York State. Nineteen loans have been approved (through June) for $4,013,000. This activity has created approximately 804 jobs at an average cost per job created (of debenture funds) of $4,755. The majority of debentures have been for 20-year terms.

This development corporation has two major recommendations regarding the 503 program based upon its experience therein: (1) The SBA should permit the piggyback with tax-exempt private sector funds, particularly those from job development agencies, namely, the New York Job Development Authority, and (2) the current "special purpose building" prohibition which places the determination of special purpose upon the SBA loan officer should be modified to provide that the determination should be made by the CDC.

Mr. LAFALCE. We will now hear from Mr. David Cain.

Mr. SOWER. Can we go to Mr. Weiss next? He is the banker who has a time problem.

Mr. LAFALCE. Surely.

Mr. SOWER. Good. John Weiss from Baltimore.

TESTIMONY OF JOHN C. WEISS III, ASSISTANT VICE PRESIDENT, UNION TRUST CO., BALTIMORE, MD.

Mr. WEISS. Thank you, Mr. Chairman. Good morning. By way of brief introduction, my background has been in banking for 7 years, but more recently, with the 3 years ending last fall, I was the director of financial services and vice president at the Baltimore Economic Development Corp., and largely responsible for working with John Sower in getting BEDCO certified as a 503 CDC, and previously certified as a 502.

Mr. LAFALCE. The gentleman from Baltimore has been very helpful to me in my district. Bob Embry and Dave Cordish recently came in and we, as you know, opened up the Rainbow Center, something we have been hoping to bring about for the past dozen years or so. Hopefully, it will compete with yours.

We will insert your prepared statement at the end of your oral testimony.

Mr. WEISS. Very good. Prior to that, I had established a smaller LDC under the 502 program in Baltimore, and for about the last 8 or 9 years, I've been, either in my banking capacity or in a professional economic development capacity, very active with many of the SBA programs and feel fairly well qualified to speak about the successes of this program.

But more to the point. The last 8 or 9 months that I've been back in the bank, I've been on the other side of the table dealing with some of the deals that I had recommended or sponsored when I was at the BEDCO Development Corp. I will say that the program has been accepted in a very reasonable fashion at the banks. The banks have had some skepticism, I suppose, in the past with SBA-oriented types of programs. However, this program has been perceived to be a reasonable program. It has allowed us to put together loans and assist our customers and clients in instances where we might not have been able to do so before.

More specifically, the combination of the debenture with its long-term and below-market fixed rate financing in combination with our financing, taking at least half of the package. I might say that we participate not in one fashion but in three fashions in these 503 assisted projects: One, as the permanent lender with at least 50 percent of the project. And, I will add that the debenture portion has improved the overall debt serviceability of these deals and has had a downward pressure somewhat on the rates that we have charged on our portion.

The second area in which we participate is as the interim lender, prior to the disbursement of the SBA debenture.

The third area as the working capital lender, working capital being a very integral part of any major capital expenditure or capital expansion of these small- to medium-sized businesses.

Unfortunately, nowhere on the SBA forms or anywhere on the data that I have seen compiled where the additional working capital financing that is provided is added to the figures to reflect a better public/private dollar ratio. For instance, where we have companies that put up another 50,000 square feet or go out and buy major equipment such as printing presses, they absolutely are going to have strains on their working capital and will need accounts receivable or inventory revolving credit-type financing or some term loans for working capital.

When we evaluate these packages, we not only take a look at the working capital needs that we will be funding and the 50 percent or greater portion of the fixed assets that we will be funding, but we also evaluate the SBA debenture portion of the deal.

Unless we feel that the deal as a whole—not just our portion but as a whole—is reasonable and can stand by itself, we will not participate. Even though the SBA's debt is subordinated or takes a second mortgage position to us. We are very mindful that those payments must be met. If they're not, it jeopardizes the health of the company and hence our credit accommodations to the company.

Taking my banker's hat off for just a second, the other side of the fence is that we see this program as an incentive for the bor-

rowers—or the small businesses—to come in and borrow, to make the investment. My bank, in particular, and I don't think we are unique, has excess cash to lend at this point. Our loan demand is not as high as we would like it to be.

Borrowers are reluctant to borrow. I would be, too, as a fellow small businessperson with volatility in the marketplace and the high level of interest rates. It is difficult to make reasonable long-range plans for capital expansion.

However, many of these companies need to do it. They have been deferring it for many years now. This program, and the marketing of the program, which we have done rather successfully in Baltimore, has stimulated a fair amount of activity.

In a little over a year, 18 deals have been approved and there are probably equally as many in the pipeline for Baltimore itself. My bank has been rather active, and the last 8 or 9 months that I've been in the bank, I've been asked to put on training seminars for other corporate lending officers to educate them as to how this program can be used to assist our customers.

We see it as a good tool. It has worked well. It enhances our profitability. It allows us to do some deals that might not have been done. It also, for the benefit of the borrower, permits a bit higher leverage on these fixed asset projects within certain reasonable bounds—as determined by appraisals and so forth. It also allows them to preserve the much-needed cash in the business for working capital purposes. So we appreciate that also.

The program has not been the be-all and end-all, but it is a very good tool for us to use, and I think we have used it rather effectively. I will cut my remarks short. If there are any questions, I will be happy to answer them.

Mr. LAFALCE. Your prepared statement will appear in the hearing at this point.

[The prepared statement of John C. Weiss III follows:]

PREPARED STATEMENT OF JOHN C. WEISS III, ASSISTANT VICE PRESIDENT, UNION TRUST CO., BALTIMORE, MD.

Mr. Chairman, members of the committee and guests, it is my pleasure to speak to you today on the Small Business Administration's section 503 certified development company program. In a relatively short period of time this program has become an essential financing resource for many areas that are faced with shrinking Federal dollars, tight national economic policies, and unrelenting and volatile high interest rates. The underlying reason for the success of this program to date is that it involves participation by the financial community, local government, and businesses. It is designed to meet the expectations of each group with emphasis on motivating the bankers to lend and, most importantly, the businesses to borrow and invest. Looking ahead, the key element for continued success is that businesses, particularly profitable businesses that are unable or unwilling to invest because of economic conditions, must be encouraged to invest, or borrow, and make a profit.

An excellent example of the implementation and operation of this program is the Bedco Development Corporation (BDC), the CDC of the Baltimore Economic Development Corporation (BEDCO). My experience and involvement was as its vice president and director of financial services from 1978 through 1981. BEDCO, a quasi-public, nonprofit organization, incorporated in January 1976, was established as the city of Baltimore's agent for economic development, with special emphasis on industry, in order to improve employment opportunities and strengthen the municipal tax base. In September 1977, BEDCO received certification as a Local Development Company (LDC) under the SBA's section 502 program and was extremely active. During September 1980, certification as an SBA 503 CDC was sought, tentatively approved in October, and final approval received in April 1981. Since that date, 18

SBA 503 loan requests have been approved. These loans, totaling $8,313,000, can be broken down as follows: $2,922,000 from banks and thrifts; $3,225,000 from SBA 503 debentures; $1,295,000 from owner's equity, and $871,000 from the city loan program.

It is important to note that these numbers represent only fixed asset SBA 503 eligible project costs (acquisition of land and buildings, renovations, and equipment purchases). Not calculated here is the companion private sector current asset financing almost always needed with business expansions. Lines of credit for growing accounts receivables and inventories, as well as working capital term loans for other project-related expenses only serve to improve the already favorable non-Federal to Federal dollar ratio of 2.6 : 1 that is present here.

When completed, these 18 SBA 503 assisted projects will retain 594 jobs and create 402 new jobs, a total of 996 jobs impacted, or an investment of $3,238 Federal dollars per job. These projects mirror the diversity of Baltimore's economy: 5 manufacturing firms, 3 restaurants, 5 retail facilities, 1 hotel, 2 professional offices, 1 cleaning service, and 1 harbor tourist boat. Two of the projects are minority-owned and operated. To date, 4 debentures have been sold by the Federal Financing Bank. It would be safe to say that most, if not all, of the projects approved by the Bedco CDC would not have gone forward were it not for the injection of the SBA 503 portion of the financing.

This program has proved to be one of the most versatile tools available to help small- to medium-sized businesses expand and grow. The combination of the program's below market rate, that is fixed and not floating, and the lengthier terms with conventional financing has permitted projects to move ahead that otherwise would not have been feasible in today's marketplace. Since the program encompasses less than half of the project costs, and only on a permanent funding basis, involvement by the local banks is required in at least three forms. First, as the permanent lender for at least 50 percent of the project. Second, as the interim lender for the SBA's portion, which is not guaranteed by the SBA. And third, as the working capital lender. This involvement, hopefully, assures that weak firms and bail-out situations will be excluded from the program. On the other hand, this program, like any business assistance tool, fills a gap in existing financial markets. For both the borrower and the lender significant uncertainties are removed when long-term fixed-rate financing is introduced by a responsible third party. Hence, the evaluation of the risk of going forward by both parties is reduced to an acceptable level thereby facilitating the needed investment. The role of this program is crucial in stimulating this action.

The SBA 503 program is sorely needed in today's economy to promote investment by small firms for expansion and modernization. Businesses want to invest and upgrade their operations. However, many are not borrowing because they are threatened by high, floating interest rates. Banks are anxious to lend, and perceive this program as a reasonable tool in assisting their customers. It should be well understood that a firm's capital expenditure for improved or larger facilities and/or new production equipment demands proper attention to the working capital needs created by this investment. This program permits the borrower to finance a greater portion of the project, and thus retain cash in the business. In addition, due to the more attractive nature of the SBA 503 assisted projects, the banks are not adverse to funding the increased levels of companion working capital credit accommodations that are necessary.

Baltimore is experiencing extremely high unemployment and disinvestment by the industrial segment of the marketplace. This program, as quantified by the aforementioned facts and figures, has had a positive impact. As a commercial lender, I have been encouraged by the recent certification of two additional CDC's in Maryland that now bring this program to all corners of the State. The SBA 503 program is a tool that assists me in satisfying the needs of my customers as well as increasing the size of my loan portfolio and hence, the profitability of the bank.

Mr. LAFALCE. Before we have questions, I think we will go on to hear from all of the members of the panel.

We have been honored by the presence of a very distinguished Member of the Congress who serves with me on the full House Banking Committee. He is the ranking minority member of the Subcommittee on Financial Institutions on which I serve and has been very concerned in that capacity with small business. The Small Business Committee used to be under the aegis of the Banking Committee.

I would like to call upon Congressman Chalmers Wylie for any comments he might have and also ask if he would please introduce our next witness, who also happens to be from Columbus, Ohio.

Mr. WYLIE. Thank you very much, Mr. Chairman, for the courtesy of allowing me to come to the committee hearing table to introduce a very distinguished constituent of mine. Hon. Bill Stanton, who is the ranking minority member on this subcommittee, knows the next witness very well, and was going to introduce him. He was unavoidably detained, but that gives me the honor of introducing this very distinguished constituent.

He serves as a member of the city council in the city of Columbus. He is a former newspaperman. But more than that, he is one of the founding members of a new nonprofit corporation called the Columbus Citywide Development Corp., which has already in a short period of time had a major impact on the economy of the city of Columbus.

Having served with you on the Banking Committee and the Small Business Subcommittee, I know the value of corporations like that and what they can do. So, Mr. Chairman, thank you very much for affording me the privilege of introducing Hon. David Cain, member of the city council of the city of Columbus, Ohio.

Mr. LAFALCE. Mr. Cain.

TESTIMONY OF DAVID E. CAIN, CITY COUNCILMAN, COLUMBUS, OHIO, AND MEMBER, COLUMBUS CITYWIDE DEVELOPMENT CORP.

Mr. CAIN. Thank you, Congressman Wylie. Mr. Chairman and members of the committee, I appreciate the opportunity to appear. As has been stated, I am a member of the Columbus City Council. I'm also a member of the Columbus Citywide Development Corp., which we refer to as CCDC.

This corporation was certified by the SBA to participate in the 503 program in February of this year, so we are just short of 6 months experience. However, we have already received our commitments from SBA for loans totaling $2,287,000. With that, we have been able to leverage an additional $4.3 million in financing from private banking institutions.

We anticipate that this is only going to be the beginning. We fully expect to package projects in excess of $20 million in the next year. What this has meant in terms of job creation is obvious. It means about 500 jobs retained, and it means about 270 jobs created over the next few years, and that is just the loans packaged to date. It doesn't include all that we expect to do in the next few years.

The success of the program is also evidenced by the fact that we were approached by the county commissioners recently, and asked us to expand the program from the city of Columbus to the boundaries of the county, and that process is nearly complete at this time.

I might mention at this point that this program has been set up and is operating in a totally nonpartisan manner. As a Republican member of a council controlled by Democrats in a city with a Republican mayor and a county with the commission controlled by

Democrats, we have been able to set this up and, as I said, expand it countywide without partisan politics being involved.

Our objective, when we set this up, was to create a partnership between the private sector and the resources of the public sector, both the local, State, and Federal levels.

As you have already stated, Mr. Chairman, the difficulties the small businessmen have today in finding expansion capital make this program all the more important, especially in terms of job creation, because more than 80 percent of the new jobs created nationally over the last few years have been in the small business area.

Just briefly, I will tell you how I set it up. Our membership includes representatives from many areas in the city: The banks, the savings and loan institutions, realtors, construction companies, successful small businessmen, many organizations, and community representatives like myself. These are all active, hands-on members. Every one of us participates in some way, either by referring business contacts for financial assistance, assisting in finding site locations, providing legal and accounting assistance, and accomplishing changes in lending policies to allow for the creative participation. Our loan packages are considered by the board and the loan committee, and the loan committee is made up primarily of bankers and accountants. The board of the CCDC mirrors the membership in terms of being representative of the various professional and social groups in the city.

Actually, the CCDC staff packages loans for businesses usually in a variety of sources, matching each source to the particular business needs to locate the best financing possible. We have found the SBA's 503 loan program to be by far the single most effective source available to our small businesses, and that's because our goals are the same as the 503 goals, and that is job creation. The diversity of the projects can be seen in our portfolio. We have packaged applications for a machine shop, a tool and die shop, an industrial distributor, two construction companies, a tire distributor, a restaurant, a service station, a computer software manufacturer, refuse hauler, an accounting firm, a vocational technical school, and a medical care complex.

Most of these projects have been in our inner city. The board felt that our primary objective would be to create jobs in these neighborhoods where the people live for the people in the lower range of socioeconomic status.

The 503 program isn't perfect, of course. As John has said, there will be some fine tuning necessary. We are working with NADCO to try to develop that fine tuning but to date it is working very well. Although there are a variety of financing programs existing today, few of them have 503 scopes. Most of them are designed for one small niche in the market, and they limit their use to this group.

Few programs have tight and careful designs like 503's. The SBA 503 program is a rarity among financing techniques and, on behalf of many in businesses in Columbus—and I might add, on behalf of other certified development corporations in Ohio—we would ask for your continued cooperation and support of this program.

Thank you.

Mr. LAFALCE. Thank you very much, Mr. Cain. Without objection, your complete statement will be made a part of this record.

[Mr. Cain's prepared statement follows:]

PREPARED STATEMENT OF DAVID E. CAIN, CITY COUNCILMAN, COLUMBUS, OHIO, AND MEMBER, COLUMBUS CITYWIDE DEVELOPMENT CORP.

My name is David Cain, of Columbus, Ohio. I serve both in the Columbus City Council and as a founding member of a new nonprofit company, Columbus Citywide Development Corp., a certified development company licensed by the SBA. I would like to discuss the impact of the Small Business Administration's 503 loan program on our city.

Columbus Citywide Development Corp. (CCDC) was certified by SBA in February of this year to participate in the 503 loan program. Since then, we have become one of the Nation's prime users of this program. To date, CCDC has received loan commitments totaling $1,884,000 from SBA, for 10 businesses expansions in Columbus. These expansions are expected to create 237 new jobs in our city over the next few years. Thus, through this program, CCDC has leveraged an additional $3,670,000 in private investment. And we anticipate this to be only the beginning of Columbus' use of this program. During the next year, CCDC expects to package economic development projects in excess of $20 million. As evidence of this program's success in our city, we have been requested by the Board of County Commissioners to expand our operating area to include the entire County which is now in process. This will virtually double our CDC's operating basis.

The reasons for the importance of this program in our city are several.

CCDC's organization was carefully developed to recognize very distinct objectives. Our plan was to create an effective partnership between our city's private sector and the resources of the public sector at the local, State and Federal levels. The availability of reasonable financing in the expansion of small businesses is more paramount today than perhaps ever before. Columbus' business community is characterized by its diversity and its prevalence of small companies. The importance of small businesses in job generation, as well as their difficulties in obtaining growth capital, have both been well-documented over recent years. We in Columbus felt that reliance on private, conventional sources was inadequate to meet the growth needs of our businesses. We also felt that public sector financing on a unilateral basis was, similarly, not effective enough to give our businesses the assistance they need.

For this reason, CCDC was created to bring together the resources and creative talents of our public and private sectors, and to provide a center of expertise to locate workable financing sources for businesses through the city. Our membership includes key representatives of many banks and savings and loan institutions in Columbus. It also includes realtors, construction companies, successful small businessmen, community organizations and city representatives, like myself. These are active, "hands-on" members. Every one of us participates in some way—by referring our business contacts for financial assistance, assisting in site locations, providing legal and accounting assistance, and accomplishing changes in lending policies to allow for creative private participation. All 503 loan packages are considered by CCDC's loan committee and board. Our loan committee is composed primarily of bankers and accountants. Our board mirrors the types of groups represented in our membership. Both give each 503 loan application close and careful scrutiny, to insure strict accountability.

Actually, CCDC's staff packages loans for businesses using a variety of loan sources—matching the source to each business's needs, to locate the best possible financing for them. However, we have found SBA's 503 loan program to be—by far—the single most effective financial source available for our small businesses. The reason for this, we believe, is that the purpose of this program mirrors our objectives for economic development financing: job creation.

The SBA 503 loan program is designed to operate through public-private partnership, to attain long-term financing for fixed asset business expansions. The program is operated solely through SBA certified private companies, such as ours. The purpose is to encourage cooperation among the financial sources in the city and to insure accountable adherence to the program's uses.

The diversity in 503 projects can be seen in CCDC's portfolio. The businesses for which we have packaged applications have included a machine shop, a tool and die shop, an industrial distributor, two construction companies, a tire distributor, a restaurant, a service station, a computer software manufacturer, a refuse hauler, an accounting firm, a vocational/technical school, and a medical care complex. Most of

these projects have been in our inner city--where one of our Board's prime objectives has been to create jobs for low and moderate income people. The projects have ranged from new construction, to renovation, to building acquisition, to purchase of machinery, with many combinations of the above.

There is also variety in terms of type of impact. In all cases, the 503 is "turning a key" that makes a project happen. But, the nature of that key differs with each business. In some cases, it simply allows a business to preserve its working capital during expansion—so vital to high-growth companies. In other cases, it provides the cushion needed to allow a bank to finance one of its customers.

The 503 program's impact has spread to other sources of financing. In each of our financial institutions, there have been policy changes to allow for longer term financing when needed. In most of the CCDC 503 loans, our banks have matched our terms.

We have also combined 503 with State financing sources such as the Ohio Development Financing Commission (ODFC) and The Minority Development Financing Board, as well as the City's Neighborhood Commercial Revitalization Investment Fund.

The 503 loan program is far from perfect. It will take time to fine-tune the national guidelines to allow for needed local flexibility. CCDC is working with The National Association of Development Companies (NADCO) to accomplish this fine-tuning, in conjunction with SBA. Columbus's 503 operation is particularly fortunate to work with an SBA divisional office of high quality. Under the leadership of District Director Frank Ray and the technical assistance of loan officer Jennifer Flocken and District Counsel Louis Stevenson, Columbus has been a front-runner in developing the potential of this program.

A variety of financing programs have existed or do exist today to assist expanding businesses. Few of these, however, have the 503's scope. Most are designed for one small niche in the market; and limit their use to this group. Few program's have the 503's tight and careful design. The SBA 503 program is a rarity among financing techniques. On behalf of the many people and the businesses in Columbus already impacted by this program, I ask for your continued cooperation and support.

Mr. LAFALCE. We will hear one last witness before we have a temporary recess to record our presence on the floor of the House, since we've gone into session. That will be Mr. Roger Peterman, president of Commonwealth Small Business Development Corp. of Frankfort, Ky.

[A short recess was taken.]

TESTIMONY OF ROGER L. PETERMAN, PRESIDENT, COMMONWEALTH SMALL BUSINESS DEVELOPMENT CORP., FRANKFORT, KY.

Mr. PETERMAN. Thank you, Mr. Chairman. I would like to start by saying I am pleased to see that you are holding hearings of this nature. It is important for people who have been involved implementing some legislation and promoting it to have an understanding or to get a feel of how the programs are being used; as people that work directly with these businesses, we have the opportunity to visit plants, to see people back to work—maybe a situation where a plant has been closed down and some of those employees have been laid off and are now back to work, often in counties in Kentucky where employment may be as high as 20 percent where small businesses are starting up or expanding and starting to employ more people.

It is important for members of the committee to understand the good and get a feel for some of the results that have been achieved. So, I'm happy to see that hearings of this nature are being held.

I'd just like to briefly review—because of the unique situation that we are in—how we got involved in the 503 program. As was mentioned, we do operate on a statewide basis and Governor

Brown has taken a small business approach. Many States are accused of simply smokestack chasing for their industrial development efforts, particularly the Southern States. I'd like to say that the Governor has put a strong emphasis on small business. That is consistent with some of the comments you made, Mr. Chairman, at the beginning of the hearing. This has been evidenced by a lot of the activities that have taken place in the State.

As you have mentioned, financing is one of the areas in which small businesses face the greatest difficulty, and we have tried to deal with this problem in a variety of ways.

The first step that was taken by the Governor was to make some changes in the Kentucky Development Finance Authority which I also represent as its executive director. The finance authority is a lending agency of the State government authorized through the legislation initiated by the Governor to make small business loans in the State in much the same fashion that the 503 program works.

In fact, we went through a lot of the same thinking in developing the programs for the finance authority and revising them. We anticipated that a lot of business expansions were being delayed because of the unavailability of financing, that small business was really at a competitive disadvantage in the credit markets.

Because of that, funds were appropriated to the authority for making small business loans. Our anticipation, I think, was accurate. Our guess was accurate. Your points proved to be accurate. In our experience, there is a very high demand for the funds that the authority had, and we soon found that the funds that the State was able to appropriate for this purpose were not going to be sufficient to meet the demand that small business had for long-term capital.

The approach that we took at the authority was then to look to the 503 program as an additional source of funds for the small businesses in Kentucky to utilize for expansions. Based on our experience with the authority, we felt that by accessing the 503 funds and making them available, businesses would go ahead with plans that they were delaying because of the interest rate fluctuations, the interest rate risk due to the unavailability of fixed rate loans from the commercial banks in the State, and that also some projects would be made feasible if the small business borrower had access to funds the same way the larger corporations have—that is, the national credit markets that can be accessed through the debenture system.

We also felt that some banks would lengthen the term of their loans. That in some instances, it would induce the banks to stretch out the loan payment terms because their percentage loan amount was smaller and, of course, business feasibility was enhanced by the fixed-rate nature of at least a portion of the loan.

We looked at our rural banks and saw that they had lending limits that were——

Mr. LAFALCE. Mr. Peterman, I'm afraid I'm going to have to interrupt you as we have now about 8 minutes to get to the floor to cast our vote. The subcommittee will now take about a 10-minute recess.

[A short recess was taken.]

Mr. LAFALCE. The subcommittee will reconvene. At the time of our recess, we were hearing from Mr. Roger Peterman, the presi-

dent of the Commonwealth Small Business Development Corp. Mr. Peterman, will you continue?

Mr. PETERMAN. Thank you, Mr. Chairman. Before the recess, I was getting into some of the reasons why as a State government, we got involved in the 503 program and we based our decision to get involved in this program based on our experience of running a similar program that was financed through State funds. We had seen small businesses under the other program go ahead when fixed-rate financing was available. When small business had the access to the national credit markets through the 503 funding system, they could borrow money in a competitive fashion with larger corporations. We also felt that banks would lengthen the terms of the loans they were willing to make as participation with the 503 program, because their percentage loan amount is lower.

Of course, as in any loan participation, when some of the rate portion is a fixed interest rate, it takes away some of the risk of the business. Rural banks would be enabled through the program, we felt, to finance larger projects which they otherwise wouldn't be able to finance because of their lending limits. We felt that to promote small business development, small business growth, that we had to encourage both the businessman and the banker through the development finance programs that we offered to follow the Governor's strategy of basing Kentucky's economy on small business growth.

We also felt that a statewide 503 corporation was necessary because of the nature of the rural communities in Kentucky. Individual cities—small cities and towns of 5,000 to 10,000 or less—would not be able to fund a 503 corporation, wouldn't be able to employ the people necessary to operate a 503.

We also felt that because of the current economic condition, quick certification was a goal. Since these funds need to be made available as soon as possible to the small businesses and with our experience as lenders, we felt that certification would come quickly.

Last September, the first organizational meeting of the Commonwealth Small Business Development Corp., was held, and a nine-member board was elected that really represents communities from all over the State and is comprised primarily of bankers. We received our certification in December, and in January we held our first loan committee meeting.

I think it is interesting to note that the first loan we made was to a small manufacturer in the Appalachian community of Manchester which is in Clay County, Ky. The unemployment rate is quite high in an economy that is dominated by coal—a typical Appalachian county in Kentucky.

We made a loan to help a small tooling operation expand. They grew from 21 employees to 40 employees through the expansion, and at 40 employees they are the second largest employer in that county. So, we saw that as really meeting our goals of assisting these companies in rural areas that don't have access to capital. They were willing to go ahead with this expansion based on the fact that they could get a longer term loan, and at a fixed-interest rate.

I think that typifies the strategy and the approach that we are trying to take at the State level to promote this program. I think, in Kentucky, substantial results have been achieved through the program in the 6 months that we have operated. We have committed to finance 10 projects which brought a total capital investment in the State of about $3½ million. One hundred and fifty full-time jobs will be created as these projects are actually funded over the next 12 months.

We have had a substantial amount of interest in the program. We have recorded over 800 inquiries about the program and the availability of these funds. The small businessman is interested; he needs the help that this program can provide and is looking for a source of capital. Businessmen still have business plans that can succeed if they can finance the businesses properly.

We've also found that the banks like this program. I think that is a key point. They are our primary originator of loans. We market the program through the banks. We promote the program that way. They have been willing to stretch their terms out on repayment, and this has enhanced the early cash flows of these small businesses.

There are three primary reasons why the banks like this program. First, of course, it enhances business feasibility because it's fixed-rate financing. It takes away the interest rate risks to the business, and therefore, it makes the bank loan better. Also, some loan risk is taken away because it is a loan participation, and they don't have as many eggs in one basket, let's say, when the loan is participated in between two or more financial institutions. Finally, another key point—particularly with the small banks that don't deal with SBA on a regular basis, that may have an SBA loan once a year—a lot of them have not been willing to go through the paperwork involving using, for instance, the 7(a) guarantee program. They just don't want to deal with that because it is so time consuming to gain that expertise, that they just don't get involved in the program.

With the 503 program, the CDC is responsible for doing the paperwork. The banks don't have to worry about that, and because of that, we found them very willing to work with the program. That's really our purpose, as employees of the State Government, to take on that kind of burden to make that service available. We feel that's been very beneficial.

There are some points that we have been directly involved with that we think some changes were necessary. Mr. Sower referred to the alterego problem that it has to be an owner/user facility; that the owner of the real estate has to be the actual user of the facility.

We have found in a particular instance in family situations—family businesses—this is often a problem because, just as an example, the father may want to own the real estate, but he may want to let his son have part of the business, part of the ownership. Or he may want to let a key employee have part of the ownership of the business, and that real estate could not be financed under the 503 program in a scenario like that.

The owner of the business has to be the same as the owner of the real estate. So we think that for certain family business situations,

that has created a problem. There are a couple of other points. There is some restriction on the amount of space that a business can use; that there are restrictions on leasing provisions. Quite often, a small growing business would want to erect a building that is larger than its current needs so that as it expands, it can have space to move into.

The SBA currently limits that excess space to 15 percent, and they can't lease more than 15 percent of their real estate to another business. We think that is overly restrictive because we want to see these businesses grow, and I think that percentage ought to be reviewed and possibly increased.

Those are a couple of the key points. I would like to conclude by saying in the past 6 months, the 503 program has been a success in Kentucky, and we have seen a lot of businesses go ahead which otherwise may not. We've seen banks lengthen the term of their loans, and we have seen rural banks make capital available to their businesses in a way that they had not in the past.

The SBA, in conjunction with the Commonwealth Small Business Development Corp., is making a difference, and is assisting the Governor and the State to achieve its goal of turning around Kentucky's economy on the back of small businesses.

I would like to thank the chairman for his involvement in this activity.

Mr. LAFALCE. I want to thank the members of the panel for their excellent testimony. Mr. Peterman, your testimony will be received into the record without objection.

[Mr. Peterman's prepared statement with appendices follows:]

PREPARED STATEMENT OF ROGER L. PETERMAN, PRESIDENT, COMMONWEALTH SMALL BUSINESS DEVELOPMENT CORP., FRANKFORT, KY.

It goes without saying that small business is the primary focus of Kentucky's economic development efforts. As a person who began his career as a small businessman, Governor John Y. Brown, Jr. has chosen small business as the foundation for renewed economic growth in Kentucky. As an indication of the Governor's commitment to small business he requested that the National Governor's Association form a Small Business Task Force. Governor Brown now chairs that committee. He has testified before Congress on many small business issues as well as initiated many changes in Kentucky law to assist small business.

In addition to these efforts, the Governor recognizes that, today, the most difficult problem facing small business is the cost of financing. This difficulty encompasses the financing of day to day operations. However, the greatest problem caused by the current condition of the credit markets is the financing of expansion. Expansion generally requires the financing of land, buildings, machinery and equipment. Fixed assets, with their long economic life, high relative cost and longer return on investment require long-term financing. Unfortunately, because most small businesses are limited to commercial banks for debt financing, the small businessman is unable to obtain the long-term financing he needs to expand and increase employment. Commercial banks are basically short-term lenders and have become more so due to the recent volatility of interest rates. Unlike their large corporate counterparts, small businesses cannot individually access the national credit markets which are currently the only source of long-term fixed rate financing.

Therefore, the Governor through the Kentucky Development Finance Authority has attempted to address this problem directly. In 1980, the Governor introduced legislation that greatly expanded the role of the Authority. The Authority was empowered to lend funds directly to small businesses in participation with bank loans. It soon became apparent that the assumption that financing was a major obstacle to business expansion was correct. The demand for the Authority's funds was substantial—indicating that entrepreneurs were willing to go ahead with a project if reasonable financing could be obtained. Because of the limitations of State funds available to the Authority, a decision was made to form the Commonwealth Small Busi-

ness Development Corporation (CSBDC) to seek certification as a Small Business Administration 503 lender.

Based on our experience, it was felt that 503 funds would generate a significant amount of small business activity through causing businessmen to go ahead with plans that had been delayed by removing some interest rate risk due to the fixed rate nature of the loans, and by making some projects feasible through allowing small businesses to borrow funds at rates comparable to those enjoyed by large corporations. It was also hoped that banks would lengthen the term of their loan since their percentage loan amount would be lowered with 503 participation. Banks would be additionally encouraged by the removal of a portion of the interest rate risk to their small business borrowers with the fixed rate financing. Also, Kentucky's rural banks would now be able to finance larger projects which would otherwise exceed their loan limits. The encouragement of both the businessman and the banker was seen as a key to expansion.

Additionally, a 503 corporation was needed on a statewide basis to serve the rural areas. Kentucky's population distribution is such that many areas of the Commonwealth would not have sufficient loan activity to finance the staff needed to operate a local development corporation. The Commonwealth Small Business Development Corporation was formed, not to replace local development corporations, but to serve areas where local development corporations could not function. It also felt that the Authority's experience in lending would result in quick certification. Based on the existing plight of the small business borrower it was felt that access to 503 funds should be made available to State residents as soon as possible.

On September 11, 1981 the first organizational meeting of the CSBDC was held. At the meeting a nine member board was elected and a resolution was adopted to apply to the SBA for certification. Certification was received on December 17, 1981. On January 5, 1982 a statewide press conference was held in the State Capitol to announce the certification and the availability of the 503 Loan Program in Kentucky. Immediately following the press conference the first regular monthly meeting of the CSBDC Board of Directors was held. There loans were reviewed and approved.

The first 503 loan commitment was to Kentucky Mountain Industries (KMI), a small manufacturer in the Appalachian Kentucky city of Manchester, where unemployment has reached 12.4 percent. KMI was incorporated in 1978 and began manufacturing with 2 employees. In 1980 KMI grew to support 21 employees. In 1981 the demand for Kentucky Mountain Industries products was exceeding their manufacturing capabilities. Another expansion was planned by management but became virtually impossible because of small town bank loan limits, high interest rates, and the lack of long-time fixed asset financing. Because of the CSBDC 503 Loan Program, Kentucky Mountain Industries was able to proceed with their $120,000 expansion project. This increased commerce to eastern Kentucky by hundreds of thousands of dollars, and 10 new additional full time employees were hired. KMI now employs 40 full time workers, and is Manchester's second largest employer.

A second example of CSBDC activity is the Bowman Kelley Office Systems Corporation project. The company was planning to expand their business and renovate a vacant historic downtown landmark in Bowling Green, Kentucky. Because of high interest rates, lack of long-term fixed rate financing and the inability of Bowling Green banks to finance the total project under terms vital to the cash flow needs of Bowman-Kelley, this renovation project and business expansion was on indefinite hold. When the 503 Program became available a loan package was developed with local banks which brought debt service payments to acceptable levels. This project not only created 9 new jobs but the building now serves as a vital anchor to the historic town square business district in downtown Bowling Green.

In the relatively short period of time the 503 Loan Program has been in effect in Kentucky, substantial results have been achieved despite a poor economy and persistently high interest rates. As of July, 10 projects have been approved by the CSBDC Board of Directors with many more from the 120 county state under staff review. New fixed asset investment of $3,432,000 has been generated by $1,204,000 in 503 loan commitments which will create 150 full time jobs within 12 months.

Over 820 letter and telephone inquiries have been received by the CSBDC staff regarding small business loans. Many of our inquiries have not resulted in immediate applications, however, the 503 Loan Program has generated a great deal of interest in planning expansions, now that businessmen are aware of a potential source of fixed rate financing.

Kentucky commercial lending institutions have embraced the concept of the 503 Loan Program and have become the primary originators of loan prospects. In addition, participating commercial banks have been willing to provide longer repayment

terms usually 10 to 15 years, rather than the standard 3 to 7 year term. Projects that would not be feasible with conventional bank financing because of cash flow problems created by high debt service requirements, have become feasible because of extended terms. With the 503 Loan Program Kentucky banks are more readily willing to finance small businesses.

It is interesting to note why banks have accepted the program readily. First, the lower fixed interest rate and longer term enhances the businesses feasibility, making the bank a more willing loan participant. Secondly, as in any participating loan situation, the loan risk to a single banker is reduced by apportioning the loan between two or more financial institutions. Finally (and probably most importantly), the bank is required to do very little paperwork for SBA. It has been our experience that some banks have hesitated to use the SBA 7(a) Guaranteed Program due to the paperwork. With loan documentation responsibility falling to the CSBDC, banks can treat the transaction like any private multilender transaction.

Today in Kentucky the 503 Program enjoys a solid reputation in the small business and banking communities. Continued success will depend on the quality of certified CDC operations including timely processing by the SBA, continued funding levels, approval of quality loans and the easing of some SBA Standard Operating Procedures and Guidelines. Based on our experience the following revisions are recommended:

1. Tax Incentives.—SBA's "alter ego" regulations make it very difficult for small businesses to take advantage of the Reagan administration's Economic Recovery Tax Act incentives and still qualify for SBA financing. (S.O.P. 50–22, Chapter 4, 15–2 (IV), pg. 28). See appendix D.

2. Expansion Space.—SBA's regulations are too restrictive for expanding, growing companies that need additional space. (S.O.P. 50–22, Chapter 6, 26–d, pg. 41). See appendix D.

3. Involvement with Tax Exempt Issues.—Both the conference report of the Congress and the regulations specifically permit section 503 debentures to be subordinate to tax exempt obligations; yet SBA's operating procedures have prohibited this. This is unfair to small business, and is certainly inconsistent with the Nation's highest domestic need to create jobs in growing smaller businesses. (S.O.P. appendix 11, p. 149).

I can state that if these 3 S.O.P. Guidelines were modified to allow small business using these financing techniques to utilize the 503 Loan Program, CSBDC loan demand would double.

In addition the following policy concerning the earnings on the reserve and escrow accounts should be changed to benefit the small business. Currently those earnings must remain in the escrow account until the loan fully matures. Because of the IRS ruling that interest on the reserve and escrow accounts is taxable in the year in which it is earned, the business will have a negative cash flow since he is liable for the tax but does not have access to the earnings. I recommend that the earnings be refunded to the business on an annual basis. Should the IRS reverse its ruling, the earnings nevertheless should be refunded periodically (say every 3 years) because a refund of 50 percent or more at maturity unnecessarily restricts cash assets and would be rather embarrassing to the CSBDC.

The experience of the Commonwealth Small Business Development Corporation as an SBA certified lender over the past 6 months has been quite successful. The strategy of the Reagan administration's current economic policy is to encourage expanded production capacity in the business sector. The 503 Program has allowed Kentucky small businesses to become active participants in that strategy. We have seen business expansions that were delayed due to the unavailability of fixed rate long-term financing, go ahead when 503 funds became available. We have seen banks lengthen the terms of their loans when CSBDC became a participant in the loan package. We have seen Kentucky's rural banks finance projects that would have exceeded their lending limits without CSBDC participation. This has been accomplished within a very short time frame and the program has been utilized by borrowers covering almost the entire state. The Commonwealth Small Business Development Corporation in conjunction with the SBA is playing a vital role in stabilizing and expanding Kentucky's economy on the firm foundation that small business development provides.

APPENDIX A

Organizational Meeting - September 11, 1981

Certified - December 18, 1981

1st Board Meeting - January 5, 1982

1st Loan Closed - Capital Aluminum - April, 1982

LOANS APPROVED

COMPANY	TYPE	CITY	COUNTY	$ 503	$ TOTAL	JOBS CREATED
K.M.I.	Manufac-turing	Manchester	Jackson	50,000	120,000	10
Electrical Circuits	Manufac-turing	Shelbyville	Shelby	130,000	327,000	16
Capital Aluminum	Manufac-turing	Bowling Green	Warren	40,000	110,000	10
RADAC	Manufac-turing	Newport	Campbell	190,000	475,000	20
McCammish	Manufac-turing	Winchester	Clark	50,000	675,000	9
Days Inn	Motel	Paducah	McCracken	160,000	400,000	7
Lee Ford Marina	Marina	Sommerset	Pulaski	104,000	260,000	4
Bowman Kelley	Office Supply	Bowling Green	Warren	290,000	725,000	9
Madison Theatre	Movie Theatre	Covington	Campbell	50,000	134,000	9
Pearce Motors	Automobile Dealer	Shelbyville	Shelby	140,000	350,000	25

Total Dollars Committed 503	$1,204,000
Total Projected Dollars	$3,342,000
Total Jobs	150
503 Dollars Loaned per Job Created	8,026

APPENDIX B

ECONOMIC DEVELOPMENT BACKGROUND--ROGER PETERMAN

In 1978, while still attending law school, I began work for the Kentucky Development Finance Authority. Upon graduation I went to work for the Authority full time as Assistant Director and later as Executive Director. During this time I have been involved in revising KDFA's lending policies, investigating and implementing new programs, and initiating new financial assistance programs--all devised to increase economic development in the Commonwealth. In 1980 I drafted legislation, which was passed by the 1980 General Assembly. This legislation considerably broadened KDFA's authority, allowing us to implement innovative new programs designed to improve Kentucky's economic development activity. The programs have been highly successful. For example--in FY 1980/81 KDFA made 15 direct loans, in comparison with only 2 direct loans for the year and a half prior to implementation of the new policies. These 15 loans involved a KDFA commitment of $2,323,500 of a total financial package of $85,403,528--creating 571 job opportunities for the citizens of the Commonwealth. In addition to the direct loan activity, KDFA agreed to issue industrial revenue bonds for 3 projects totaling $47,900,000 for another 186 jobs and guaranteed a bond issue for $1,500,000 of the total $3,450,000 financial package for another 100 jobs. (A total 857 jobs for FY 80/81.)

In FY 1981/82 KDFA saw even more loan activity--22 direct loans for $44,545,060 of a total financial package of $62,164,710 for 1874 jobs; 8 industrial revenue bond issues of $120,330,910 for 112 jobs; and two industrial revenue bond guarantees for $2,220,000 of a total financial package of $3,900,000 for another 87 jobs (a total 2,073 jobs for FY 81/82). And these figures do not include the activity seen by the Commonwealth Small Business Development Corporation since it's certification in December, 1981.

Now, due to an increase in funding granted by this year's General Assembly, we are revising our programs in order to increase our assistance to business entrepreneurs within the state and to create the incentive needed to attract businesses to the Commonwealth.

APPENDIX C

COMMONWEALTH
SMALL BUSINESS DEVELOPMENT CORPORATION
Capital Plaza Tower, Suite 2400
Frankfort, Kentucky 40601

502-564-4320

BOARD OF DIRECTORS

W. Bruce Lunsford
Chairman

Joe Cook

Joe Frye

Jerry Johnston

Dennis Rich

Joseph Shipman

Gordon Taylor

Robert Vance

Donna Wooten

OFFICERS

Roger Peterman
President

James H. Jones
Vice President

Terry M. Walker
Secretary/Treasurer

BOARD MEMBERS

1. Joe Cook
P. O. Box 1017
640 Wright Avenue
Bowling Green, KY 42101
(502) 781-3470
CPA

2. Jerry Johnston
First National Bank of Louisville
First National Tower
Louisville, KY 40202
(502) 581-4151
Banker

3. W. Bruce Lunsford
Commerce Cabinet
Capital Plaza Tower
24th Floor
Frankfort, KY 40601
(502) 564-7670
Secretary, Commerce Cabinet

4. Linda June McGuire
109 West Main
Grayson, Kentucky 41143
(606) 474-7844

5. Dennis Rich
Boone State Bank
7911 U.S. 42
Florence, KY 41042
(606) 371-8575
Banker

6. Joseph Shipman
Continental National Bank
500 South Sixth
Louisville, KY 40203
(502) 585-4600
Banker

7. Gordon Taylor
Farmers Bank & Capital Trust Company
#1 Farmers Bank Plaza
Frankfort, KY 40601
(502) 227-7341
Banker

8. Robert Vance
State National Bank
P. O. Box 68
Maysville, KY 41056
(606) 564-3381
Banker

9. Donna Wooten
First Security National Bank
1 First Security Plaza
Lexington, KY 40507
(606) 231-1000
Banker

* Board Members
** Officers

ommonwealth Small Business Development C poration

LIST OF MEMBERS

NAME	ADDRESS	TELEPHONE	OCCUPATION
1. Tom Besanceney	ACT for Covington, Inc. 618 Washington Street Covington, KY 41011	(606) 431-1500	Development Specialist
2. Stan Browning	P.O. Box 91023 5800 Bardstown Road Louisville, KY 40291	(502) 239-6124	Insurance Broker
3. Kim Burse	754 South 44th Street Louisville, KY 40211	(502) 561-2527	Corporation Officer
4. Bob Carter	Harrod-Carter, Inc. Glen Creek Road Frankfort, KY 40601	(502) 223-2351	President--Small Business
5. Jim Catlett	Southern Kentucky Industrial Authority P.O. Box 726 Hopkinsville, KY 42240	(502) 885-5392	Director Economic Development
6. Frank Clay	8703 Lynnhall Court Prospect, KY 40059	(502) 589-5483 (502) 228-1945	Real Estate Broker
7. Norten Cohen	4800 Springdale Road Louisville, KY 40222	(502) 228-1134	Small Businessman
8. Burlin Coleman	Pikeville National Bank & Trust Company P.O. Box 712 Pikeville, KY 41501	(606) 432-1414	Banker
*9. Joe Cook	P.O. Box 1017 640 Wright Avenue Bowling Green, KY 42101	(502) 781-3470	CPA

* Board Members
** Officers

List of Members (Page 2)

NAME	ADDRESS	TELEPHONE	OCCUPATION
10. Patrick J. Cvengos	Citizens Bank & Trust 333 Broadway Paducah, KY 42001	(502) 444-6321	Banker
11. John E. Darnell, Jr.	The Owensboro National Bank 230 Frederica Owensboro, KY 42301	(502) 926-3232	Banker
12. J. William Flowers	Planters Bank & Trust Co. 712 S. Main Street Hopkinsville, KY 42240	(502) 886-5151	Banker
13. Allen L. Fowler	The Family Lines System 908 Broadway P.O. Box 32290 Louisville, KY 40232	(502) 228-0606	Corporate Officer
* 14. Joe Frye	MACED 213 Short Street Berea, KY 40403	(606) 986-8497	Financial Consultant
15. Ed Glasscock	Brown, Todd & Heyburn Citizens Plaza Louisville, KY 40202	(502) 589-5400	Attorney
16. Dan Glick	Grossman Sales, Inc. P.O. Box 32575 Louisville, KY 40232	(502) 587-0747	Officer-Small Business
17. Jim Gray	P.O. Box G Glasgow, KY 42141	(502) 651-8891	Owner--Small Business
18. Merwin Grayson, Jr.	Covington Trust & Banking Co. 6th & Madison Avenue P.O. Box 2655 Covington, KY 41011	(606) 292-7500 (606) 341-7781	Banker

* Board Members
** Officers

List of Members (Page 4)

NAME	ADDRESS	TELEPHONE	OCCUPATION
29. Don Kessler	The Kessler Company 225 N. Clifton Avenue Louisville, KY 40206	(502) 897-5284	Real Estate Broker
30. Sam Kinnard	Kinnard & Francke 207 Louisville Air Pack Louisville, KY 40213	(502) 366-4511	Owner--Small Business
31. Carroll Ladt	Process Equipment Builders P.O. Box 1479 Paducah, KY 42001	(502) 554-0680	President--Small Business
32. William S. Latta	Royster, Lambert & Latta, Inc. 334 N. Water Henderson, KY 42420	(502) 827-3543	President--Small Business
* 33. W. Bruce Lunsford	Commerce Cabinet Capital Plaza Tower 24th Floor Frankfort, KY 40601	(502) 564-7670	Secretary, Kentucky Commerce Cabinet
34. Tom Miller, President	Kentucky Highlands Investment Corporation P.O. Box 628 London, KY 40741	(606) 864-5175	President--Community Development Corporation
35. Bill H. Neal, President	Western Kentucky Gas Co. 608 Frederica Owensboro, KY 42301	(502) 685-8001	Corporation Officer
36. Lou Nettles	Continental National Bank 500 South Sixth Street Louisville, KY 40202	(502) 585-4600	Banker
37. Edwin J. Paxton III(Jack)	Paducah Sun 408 Kentucky Avenue Paducah, KY 42001	(502) 443-1771	Officer--Small Business

List of Members (Page 5)

	NAME	ADDRESS	TELEPHONE	OCCUPATION
38.	Jim Peklenk	Alexander Grant & Co. 1409 Citizens Plaza Louisville, KY 40202	(502) 589-4020	CPA
39.	John Pendergrass	Loan Department Citizens Fidelity Bank & Trust Louisville, KY 40296	(502) 581-2036	Banker
** 40.	Roger Peterman	Kentucky Development Finance Authority 24th Floor, Capital Plaza Tower Frankfort, KY 40601	(502) 564-4554	Economic Development Director
41.	Dennis Rich	Boone State Bank 7911 U.S. 42 Florence, KY 41042	(606) 371-8575	Banker
42.	W. T. Robinson, III	3783 Narrows Road Erlanger, KY 41018	(606) 291-4646	Attorney
43.	Donald R. Russell, Sr.	Sonoco Products Company P.O. Box 160 Hartsville, S.C. 29550	(803) 383-7000	Corporate Office
44.	Zack Saufley	Farmers Bank & Capital Trust Company #1 Farmers Bank Plaza Frankfort, KY 40601	(502) 227-7341	Banker
*45.	Joseph Shipman	Continental National Bank 500 South Sixth Louisville, KY 40203	(502) 585-4600	Banker
46.	Dale Smith	Commerce Cabinet 24th Floor, Capital Plaza Tower Frankfort, KY 40601	(502) 564-7670	Deputy Secretary, Kentucky Commerce Cabinet

List of Members (Page 6)

NAME	ADDRESS	TELEPHONE	OCCUPATION
47. Herbert J. Smith	American National Bank & Trust Co. 922 State Street Bowling Green, KY 42101	(502) 781-[illegible]	[illegible]r
*48. Gordon Taylor	Farmers Bank & Capital Trust Co. #1 Farmers Bank Plaza Frankfort, KY 40601	(502) 227-7341	Banker
49. Roy "Corky" Taylor III	Taylor's Junction Steak House 2611 Highway 41 North Henderson, KY 42420	(502) 826-6568 (502) 826-3600	President--Small Business
*50. Robert Vance	State National Bank P.O. Box 68 Maysville, KY 41056	(606) 564-3381	Banker
**51. Terry Walker	Kentucky Development Finance Authority 24th Floor, Capital Plaza Tower Frankfort, KY 40601	(502) 564-4554	Economic Development Professional
*52. Donna Wooten	First Security National Bank 1 First Security Plaza Lexington, KY 40507	(606) 231-1000	Banker
53. Wilbert Ziegler	Ziegler & Schneider Law Firm 400 Covington Trust Building Covington, KY 41011	(606) 581-4553	Attorney
54. Linda June McGuire	109 West Main Grayson, Kentucky 41143	(606) 474-7844	

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(i) The alter ego concern is a business entity that is organized and operated for profit, whether operating as an individual, proprietorship, partnership, or corporation.

(ii) The small business concern is an eligible small business and the proposed use of proceeds would be eligible for such assistance if the small business concern were the owner of the property that is owned or to be owned by the applicant.

(iii) The proceeds of the loan to be used to benefit directly such applicant will be used only to acquire or improve real or personal property for the exclusive use of such small business concern.

(iv) The ownership interest(s) in the applicant shall be completely identical with and in the same proportion as the ownership interest(s) in such small business concern, and this identity of interests shall remain unchanged until the loan is repaid in full or SBA sooner gives approval to a change.

(v) Collateral includes an assignment of the lease between the applicant and the small business concern and a lien on the property itself and the lease shall be for a term of not less than the term of the loan.

(vi) The small business concern must be either a guarantor or co-borrower, and the owners of the small business concern and of the applicant must also guarantee the loan. *

b. For purposes of a section 503 loan a business may qualify as small, provided it is independently owned and operated and not dominant in its field of operation, and meets one of the following criteria:

(1) Does not have a net worth in excess of $6 million and does not have an average net income, after Federal income taxes, for the preceding two years in excess of $2 million (averaging net income to be computed without benefit of any carryover loss), or

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d. Construct a Building

Construction includes erection of a new building and/or a major addition to an existing building. The amount allocated to the project cost will be the funds required to complete construction of the building or addition. Debenture proceeds may be used for the construction of commercial rental space only under the following conditions: Commercial rental space, up to 15 percent of the total space is permitted when (a) reasonable projections of growth indicate the SBC will need additional space in the reasonably near future and (b) due to the nature of construction, it is not feasible to build an addition to the building in the future. The SBC must document in writing, and the CDC must certify, that the business receiving the 503 assistance will expand into the rental space within three years after the completion of the building. *

e. Purchase of Machinery and Equipment

503 debenture proceeds may be used to finance the purchase of machinery and equipment, independent of land and building, if the asset(s) being financed has a useful life of at least 15 years. The purchase price, delivery cost and installation expense must all be considered in determining the amount allocated to the project cost. When existing equipment or machinery is being moved to a new location the cost of dismantling, moving, and installing the equipment must be determined.

If the project involves strictly financing machinery and equipment, the loan officer's analysis of the proposed project should include consideration of the following factors:

(1) The specific use of, and the need for, the asset by the small business concern.

(2) The practicability of the purchase of machinery and equipment with loan proceeds.

(3) An estimate and opinion of the project's cost, reasonableness and cost of installation.

(4) An opinion as to the collateral value when the project is completed, and whether there is sufficient collateral value left to secure SBA.

APPENDIX 11 (Paragraph 23) *

Federal Policy Prohibiting Participation with Tax-Exempt Obligations

It is the policy of the U.S. Government not to participate in the financing of projects that are financed with the proceeds of tax-exempt obligations. This policy is based on the reasoning of the Report of the Committee on Federal Credit Programs to the President of the United States Transmitted by the President to Agencies with responsibilities for Federal Credit Programs, dated February 11, 1963. The specific language is as follows:

> "The Committee, therefore, recommends that no program in the future be authorized which involves guarantee of tax exempt obligations because (a) the costs in tax revenues to the Federal Government would generally exceed the benefits of tax exemption received by borrowers, (b) such federally guaranteed tax-exemption securities would be superior to direct Federal obligations themselves, and their increasing volume would adversely affect Treasury financing, and (c) the availability of increasing amounts of high-grade tax-exempt issues would tend to attract funds from investors that should appropriately seek risk-bearing opportunities."

The Report of the Committee of Federal Credit was made to serve as a guide for Federal agencies preparing legislation for new loan programs. The significant part of the Report is the rationale given for prohibiting federal guarantees of tax-exempt bonds. The Report argues that since under the Public Debt Act of 1941 the Federal Government cannot issue direct obligations exempt from Federal income tax it would be inappropriate to guarantee local or state obligations which are tax-exempt. Moreover, the Report expressed a fear that federally guaranteed

SBA FORM 988A (5-75) REF 00232 REPLACES PREVIOUS EDITIONS AND SBA FORM 988B

Mr. LAFALCE. What I would like to do is go over the recommendations that your organization has developed for improvement of this program. I'd ask all the gentlemen, particularly you Mr. Sower, to turn to attachment C of the testimony of Mr. Kendall Bert, the president of NADCO.

As you say, there are 30 recommendations. Which would you say are the major ones that we should discuss today?

Mr. SOWER. That's a hard question, Mr. Chairman. These recommendations are those that have been nailed down from 90 or 100 that have come in, and these have been thrashed around by a whole committee of folks. The alterego issue is very important.

Mr. LAFALCE. Since the Administrator of the SBA has just walked into the room, for his benefit as well as mine, would you please briefly summarize your alterego recommendations?

Mr. SOWER. Certainly. I'm going to start with a little bit of philosophy. As I understand it, the concern of the Small Business Administration is they only finance eligible small businesses, and not people that are involved in real estate speculation or development. What they do not want to do is finance an investor who owns 5 or 10 percent of a business, because he has a very small percentage interest in that business. That is a concern.

Now, we have two problems. As Mr. Peterman mentioned, in many family businesses, you will find that the ownership of the real property—the buildings and the equipment—are set up differently than the ownership of the business, per se is. This is done by the business accountant for good business reasons.

So, the first part of it is, if it's a small business, that its stock would be owned by one person and the real estate would be owned perhaps by the same person, but separately. Then the usual arrangement is that the business leases the property from the owner itself. Now if in fact the ownership of the business and the ownership of the property are exactly the same, such that it is the alterego, then the project is eligible for financing.

Now the problem is, as Mr. Peterman mentioned, in many cases the accountants will say, "Put the ownership of the property with the father or the uncle," or whatever. That way, they get some economic return but they are not involved with the day-to-day management of the business.

So, we have many situations where the business is 80 percent owned by someone and 20 percent by perhaps the father or someone else, and then the property is owned in a slightly different configuration—even 81-19 percent, as I mentioned earlier—and that would make the project ineligible for SBA financing.

This is particularly true in older areas where businesses have been around for a generation or two, and there is family ownership in them. That's the first part of the problem. The second part of the problem is that under the tax incentives of the President's program of ERTA-1981, the concept is to get more private sector investment into smaller businesses, and the way that that is usually structured is called a limited partnership.

In those cases, the business becomes a general partner and you structure a limited partner, a private investor who, in essence, put some investment moneys into the business. Under this alterego proviso, this precludes us in most cases from then proceeding with

the financing of the business under small business policies, so that is the problem.

Mr. LAFALCE. How about some of the other recommendations? Which of the 30 would you like to discuss?

Mr. SOWER. Item XI is important.

Mr. LAFALCE. Clarification and anticipation of?

Mr. SOWER. I'm sorry, in my table of contents, it's leasable space and new construction.

Mr. LAFALCE. Yes, I'm sorry.

Mr. SOWER. The philosophical purpose of the 503 program is to help expanding businesses get long-term capital. That, of course, is different than the 7(a) program. Now, if you are working with an expanding company, they expand sort of in bits and pieces. We have many situations where somebody will want the amount of space that they think will cover their needs for a couple of years.

Hopefully, they will expand rapidly and create jobs. As small business prudently might want to build, say, a 50,000-square-foot building, use 30,000 square feet of it now, and assume he will grow by 10,000 square feet in each of the next 2 years. That would be normal business growth.

The requirements now are too strict for the amount of future expansion space that small business can include in the package. The way it is structured right now, we can only do a project if the small business will use 85 percent of the space.

I have made an analogy: It's like buying shoes for children. You buy them a half size ahead or so. That is all we are asking for: to give us that half size, or a little bit of expansion space. Now, a technicality is, if it is a rehabilitation——

Mr. LAFALCE. What are you suggesting? Go from 85 percent to what?

Mr. SOWER. Well, if it is a building rehabilitation, then the regulations let us do 51 percent. So, we are asking for the same for new construction as for rehabilitation. If the small business owns 50, and it's going to occupy 51 percent of the space, then it's eligible. If they have to lease the balance for a short period of time, then that would be permitted.

Mr. LAFALCE Which other of the 30 would you like to discuss now?

Mr. PETERMAN. I think the item No. VI, the 10-year machinery equipment debenture is something that we think would be very beneficial to the businesses. Quite often, equipment isn't really a 15- or 20- to 25-year asset, and very often, a small business doesn't own real estate or shouldn't own any real estate. They should lease space, and some shorter maturities for equipment financing, I think, would be beneficial to a lot of businesses we deal with.

Mr. SOWER. Let me comment on three more issues, if I may. The first is under XIV, the single purpose buildings, motels and office condos, and then turndown letters.

The wording in the SOP, the standard operating procedures as they exist now, gives an opportunity to turn down many good projects because of these issues. For instance, is an office condo, is it something that should automatically be turned down or should it be looked at on its merits? In our economy—there are more and more service businesses which mean office space and, in fact, that's

a way to create jobs to facilitate growing service businesses—computer businesses, medical businesses, whatever they might be.

If in fact, it is the best way for a business to own that space is as a condo because they developed or did it that way, there shouldn't automatically be a prohibition that says you can't do it because it's a condo as opposed to something they built by themselves. That's the issue. The wording needs to be clarified because out in the field right now, in many cases, they see the word "condo," and it is an automatic turndown. The issue of single purpose building needs to be clarified a bit. Really, it's a credit decision. If you take it to the extreme, the only building that is not a single-purpose building is a rectangular building with 12-foot ceilings which anything can go into.

If you have something like a motel, if you have certain types of manufacturing buildings that are in any way different than a rectangular building which I described, it could be interpreted as single purpose, and thus, be an automatic turndown.

All we are saying is those are credit decisions and they should be looked at from a credit standpoint, and not an automatic turndown. Now, on issue 3, which is turndown letters, I don't think we have really clarified the philosophical purpose of this program yet, which is to finance the expansion of growing, healthy businesses. This is very different from the 7(a) program where we are trying to help businesses, many of which may be having problems.

The purpose of 503 which is in a different congressional act, of course, is to create jobs and to help a community. The requirements on turndown letters are still a bit too tight.

A fourth point which isn't on this list—but comes into this all the time and is related to the issue of creating or retaining jobs—is the purpose of the program. Everybody would like the ideal project where you put in just a little bit of money, and you create hundreds and hundreds of jobs. It doesn't always work that way.

We need the flexibility to help expanding businesses grow without the tight requirement of $15,000 of debenture per job created. It may be that we will lose some projects. We have indeed lost projects because of that criteria. It's too tight and needs to be reconsidered.

Mr. LAFALCE. We have taken a considerable amount of time, so I don't want to go over all 30. Are there any others that you would like to make specific mention of?

Mr. SOWER. Well, all of the issues, Mr. Chairman, are important enough. They went through this screening process.

Mr. LAFALCE. Let's pick the most important.

Mr. SOWER. I think I have pretty much covered the main ones. There are some little things that—some offices are automatically shifting deals from 503 applications to 7(a)'s. Some offices are doing others, sort of variations on that, but I think those are internal things.

Mr. LAFALCE. All right. I am going to conclude discussion of the 30 recommendations, but I am also going to forward those recommendations by letter to the SBA, and ask them to give me their written comments. I hope we will be able to come up with improvements.

Before we conclude this panel, I should mention that a law has been passed by the House of Representatives without any meaningful consideration whatsoever—as is often the case—containing two items that pertain to section 503. One of them would permit 503's to finance working capital, and one of them would, in effect, permit the SBA to indirectly guarantee tax-exempt bonds.

The SBA opposes this, and I generally am sympathetic with SBA in this regard. What is your disposition regarding those two items?

Mr. SOWER. On the first issue of using 503 to provide working capital, at no time in our involvement through NADCO has there been any discussion that it was needed. Therefore, we do not support it; that is my understanding. Now, in the second issue, maybe a point of clarification. I don't understand that there is an implicit guarantee of a tax-exempt issue.

Mr. LAFALCE. Are you saying that you would permit the use of the tax-exempt financing but the SBA guarantee of the debenture would be a second lien? Indirectly wouldn't that, therefore, be a guarantee?

Mr. SOWER. In the broad brush where the loss ratios on this program are very low, and in fact where there is a loss, there is real collateral to foreclose upon, and I don't know what the statistics are but if in 0.02 percent of all cases SBA were to buy out a tax-exempt issue and in case of a foreclosure, I suppose the issue would surface.

But the big issue really is, in many States, for a fixed asset investment for a small business. The name of the game is some sort of tax-exempt issue. In Pennsylvania and some other States, almost every small business that does any plant and equipment expansion gets a tax exempt issue.

Mr. LAFALCE. Have you been able to do any 503's with tax-exempt issues?

Mr. SOWER. As I understand it now, the standard operating procedure precludes it, even though it was the intent of the Congress in the conference report to permit it.

Mr. LAFALCE. You couldn't do that under 502 either, could you?

Mr. GURIAN. Yes; you could.

Mr. SOWER. You can do it under other Federal programs such as under the UDAG program, for instance. Many, many projects get financing through the UDAG program where the first mortgage is a tax-exempt issue, and the subordinate financing is from UDAG. That's Federal policy. It's a huge program, as you know.

Mr. LAFALCE. Could you do it under 502?

Mr. GURIAN. New York State Job Development Agency, tax-exempt, second position. We were able to take a shared second position or a third position, and we have many projects under 502 and very successful.

Mr. LAFALCE. With SBA?

Mr. GURIAN. With SBA. Very successful.

Mr. CAIN. I'd like to mention the problem in Ohio, we had with section 23 of the U.S. standard operating procedures, which is originally intended to prevent mixing 503's with IRB's, which is OK with us. In effect, it also excludes our State 313 program which is the liquor profits program. The fund of moneys is there which can

be used for business financing, but we can't mix a 503 with this 313 program. So, we would favor relaxation of that also.

Mr. LAFALCE. What is so special about this 313 program?

Mr. CAIN. We have State liquor stores in Ohio, and the profits from the sale of liquor are accumulated into a fund which is available at the State level for financing business projects—the State 313 program. But we can't use that fund in connection with a 503 program because of section 23.

Mr. LAFALCE. What does section 23 say?

Mr. CAIN. Of the standard operating procedure?

Mr. LAFALCE. Yes.

Mr. CAIN. It says SBA shall not participate in projects if their other source of financing includes or is collateralized by tax-exempt obligations.

Mr. LAFALCE. What is tax exempt about money raised from a liquor tax that goes into a fund?

Mr. CAIN. Well, this 313 program sells tax-exempt obligations.

Mr. LAFALCE. I see.

Mr. GURIAN. Mr. Chairman, it is the same problem in New York State with the Job Development Agency. The Job Development Agency does sell tax-exempt bonds in order to raise the revenue for those loans. As we have had declines in the funding for the Job Development Agency, there has been greater demand upon the SBA participation. We still are capable of doing it under 502, but we do not have the right to do it under 503. We are missing a very important capable use of the 503 program.

Mr. SOWER. This issue is very different State by State. In some States, as I mentioned—Massachusetts, Georgia, and a few others—most fixed asset financing is on a tax-exempt basis. So, for a typical small business, if he needs $1 million to expand, he would go talk to his bank, and they would say, "Well, we will give you 60 percent or so of the deal, and it will be tax exempt," or whatever they call it in that State. Maybe he could get 70 percent. Then he says, "Well, there is a 503. We'll go get that for the rest." It's a good program. Then they go talk to whomever represents 503, and you have to say, "Well, wait, you have to go back, and restructure your first mortgage." Instead of paying 12 percent, you have to pay 17 percent, or whatever the first mortgage rate is.

That really makes no sense at all. The key issue there is that long-term financing for small business creates jobs. That's the key issue. The issue is whether there is a double subsidy, and the years that I have been in this business I have never heard of a case where in fact there was such a thing.

Mr. LAFALCE. Wherever you have a tax exempt with the 503 or something similar, you would have a double subsidy by definition, wouldn't you?

Mr. SOWER. Not really, except in the case of the foreclosure where SBA had a second mortgage, they had to buy out the first mortgage and thus, indirectly guarantee it.

Mr. LAFALCE. The Administrator of SBA is going to say that this would be against OMB policy, but you gentlemen are saying this is done every day with UDAG's, for example. You do have tax exempts being used along with UDAG assistance, which is used in

a variety of ways to lower the interest rate, to set up a fund of money which can serve as a guarantee against a loan, et cetera.

Mr. SOWER. It is usually a second mortgage, as you know.

Mr. LAFALCE. Yes.

Mr. PETERMAN. Mr. Chairman, I think the point is, other businesses have access to tax-exempt financing. The purpose escapes me for penalizing small business for access to that type of financing because it uses the 503. Promotion of small business, after all, seems to be the purpose of the program

Mr. LAFALCE. Are there any other comments? Well, I want to thank you very much for your testimony.

The next panel will be representatives of the National Association of Development Organizations, NADO: Ms. Aliceann Wohlbruck, executive director of NADO, and Michael Aube, president, Eastern Maine Development Corp. We will first hear from Ms. Wohlbruck first.

TESTIMONY OF ALICEANN WOHLBRUCK, EXECUTIVE DIRECTOR, NATIONAL ASSOCIATION OF DEVELOPMENT ORGANIZATIONS

Ms. WOHLBRUCK. Thank you, Mr. Chairman. I will just make a few brief remarks in the interest of time.

Mr. Chairman, I am the executive director of the National Association of Development Organizations, and with me is Mike Aube, who is our board member from Bangor, Maine, who will speak to you in more detail about his experience with the 503 program. Just to briefly describe NADO, it is an organization that was founded in 1967, and is made up of basically rural and small town multicounty economic development organizations.

The boards of these organizations are made up of public officials and private sector representatives. There are over 200 of them around the country. Our members view the 503 program as a very important part of what they are trying to do in encouraging business development in smaller towns and rural communities. We are pleased to have the opportunity to be here. Most of our members already have boards that meet many of the requirements of the 503 program. Studies done on the districts show—and I will quote from one of them done by Penn State: "The districts are unique in their ability to put together strategies and development packages which utilize local resources as well as Federal and private sector funds."

That's why we look to the 503 program as a part of this effort. Our members have, in the past, been able to put together packages using Economic Development Administration, Farmers Home Administration, and Appalachian Regional Commission funds. Now 503 is a very important part, or they would like it to be an important part, of what they are doing.

Just one other point that is of great concern to our members—the credit gap in rural areas. In our written statement, we have a chart from the Council on Northeast Economic Action showing the percent of firms unable to secure credit. It is most difficult to obtain in rural areas. I will just quote from that study, "For all types of firms, the financially sound as well as the highly leveraged ones, it is consistently more difficult to obtain intermediate and

long-term capital in rural areas than in suburban and city locations."

That's another reason why 503 is important to NADO members. I am going to ask Mike to expand on the operations of the program in communities that he serves.

We have been working with SBA staff people who have been very helpful to us aiding our members to understand the program and use it in a professional way to help the small businesses in these communities where we see much need for such expertise. One-third of our population lives in rural areas and they don't have the kind of access to financial and management expertise that are available in urban places. That's why our districts are interested in providing this. Thank you.

Mr. LAFALCE. Thank you. Your testimony in its entirety will be entered into the record without objection.

[Mr. Wohlbruck's prepared statement follows:]

PREPARED STATEMENT OF ALICEANN WOHLBRUCK, EXECUTIVE DIRECTOR, NATIONAL ASSOCIATION OF DEVELOPMENT ORGANIZATIONS

INTRODUCTION

Mr. Chairman, members of the Subcommittee on General Oversight, I am Aliceann Wohlbruck, executive director of the National Association of Development Organizations (NADO). I am pleased to submit these brief comments in support of the Small Business Administration's Section 503, Certified Development Company Program. I commend the members of this Subcommittee for their dedication to the important task of supporting a strong small business sector within our national economy and for recognizing the need for a specially designed development finance program.

NATIONAL ASSOCIATION OF DEVELOPMENT ORGANIZATIONS

Since its establishment in 1967, the National Association of Development Organizations has promoted economic development in rural areas of the nation.

These local development efforts have been made possible through financial contributions from Federal, State, and local governments. Federal programs such as the Economic Development Administration, the Appalachian Regional Commission, the Farmers Home Administration and the Small Business Administration have been instrumental in enhancing the quality of life in economically distressed regions.

The multicounty economic development districts, which NADO represents, have assisted local governments in these areas by coordinating development efforts and providing technical expertise. Since passage of the Public Works and Economic Development Act in 1965, 286 districts have been designated. These contain over 1,500 counties and hundreds of towns and cities.

Districts promote long-term development by creating a better climate for private sector investment. At the district level, attracting such investment is achieved by developing a strategy where local communities establish or maintain adequate facilities. Several recent studies have shown the important relationship between private sector location decisions and the condition of local infrastructure. Districts help their local governments finance and plan the construction and maintenance of vital facilities such as roads, bridges, sewers and waste treatment plants.

In an effort to attract and continue private expansion, districts have also worked closely with business representatives from their regions. The success of substate district development strategies has clearly shown that the cooperation of both the public and private sector are essential, if jobs are to be created and saved.

In a study presented to the Economic Development Administration in June 1981, the Institute of State and Regional Affairs of Pennsylvania State University reported that districts have: achieved an identification and reputation of some note with public officials and the business community; facilitated, through their membership, an interaction of public and private interests, views and judgments, and gained recognition through their activities as agencies that fulfill a role and provide services that are useful in dealing with the needs of the region.

The same study also concluded that they (the districts) are unique in their ability to put together strategies and development packages which utilize local resources as well as Federal and private sector funds.

SUBSTATE DISTRICTS AND THE CERTIFIED DEVELOPMENT COMPANY PROGRAM

The introduction of the Small Business Administration's section "503" program was well received among sub-state development districts. In most cases, these agencies satisfied, with little trouble, the SBA requirements for designation. All districts are required to have a governing board of directors with representatives from both the public and private sector. In addition, many districts have had development finance staff in place for some time.

A number of districts are participating in EDA's Revolving Loan Fund Program. This type of public-private cooperation for business development has been most successful in the rural areas served by districts. For example, a NADO member agency in the coastal area of Georgia packaged and processed a loan, through its revolving loan fund, which saved a local seafood processing plant from shutting down. Similar success stories are common in districts with such services in Vermont, North Carolina, Maine, and Oregon.

Presently, there are over 30 regional development districts which have been given "503" designation. We commend the Small Business Administration for this action. We believe these districts are uniquely qualified to participate in the "503" program because of their successful experience with other Federal development programs. Furthermore, NADO urges SBA to continue its policy of designating substate, multicounty development organizations as eligible certified development companies.

CREDIT GAP IN RURAL NEEDS

As previously noted, NADO member districts serve their local governments and business through a variety of technical and financial services. There is a growing demand for these offerings as business, especially smaller firms, find it increasingly difficult to obtain financing for expansion. This has always been the case in the rural areas of our Nation. Banks, in these regions, are unwilling to provide long-term, fixed asset financing to small businesses.

A study prepared by the Council for Northeast Economic Action reported: For all types of firms—the financially sound as well as highly leveraged ones—it is consistently more difficult to obtain intermediate and long term capital in rural areas than in suburban and city locations. This seems to be an intuitively correct finding and reflects the traditional conservative lending practices of rural financing institutions.

The following chart clearly illustrates this point:

PERCENT OF FIRMS UNABLE TO SECURE CREDIT (BY LOCATION)

Credit Type	City	Suburb	Rural	Total
Short term	6.1	7.3	7.6	6.8
Intermediate	16.5	14.3	17.2	15.8
Long term	24.0	19.3	25.7	22.8

Source: "An Empirical Analysis of Unmet Demands in Domestic Capital Markets in Five U.S. Regions," U.S. Department of Commerce, Economic Development Administration, February, 1981.

These findings certainly point to the need for development financing assistance in rural areas. The popularity of the SBA "503" program in these regions is also another indication of this need.

RECOMMENDATIONS

NADO commends the House Committee on Small Business for including two important provisions in H.R. 6086, Small Business Amendments of 1982. Allowing certified development companies to raise the non-SBA portion of the total "503" loan package through the sale of industrial development bonds and permitting the use of these funds for "working capital" will give both the CDC and the participating firm greater flexibility in packaging and using these funds.

Another need our members see is for management assistance to small firms in rural areas. We would like to see an effort made to help districts provide such assistance in small towns.

Michael W. Aube, president of the Eastern Maine Development Corporation, has outlined a significant recommendation for improving the SBA "503" program in his testimony. NADO members, who have read and studied this proposal, strongly endorse it.

Mr. Chairman, members of the Subcommittee on General Oversight, I thank you for the opportunity to share these thoughts on the importance of the "503" program and the continuing need for Federal development finance assistance in rural areas. The National Association of Development Organizations thanks the members of this committee for their outstanding support of small business. We at NADO stand ready to assist you in any way possible.

Mr. LAFALCE. Before we call on the next witness, I would like to call upon the person who in my judgment is the hardest working and most conscientious member of this subcommittee on a day-in, day-out basis and one who has been so helpful to the total committee and me. I call upon Representative Olympia Snowe from the great State of Maine to introduce the next witness.

Ms. SNOWE. I thank the chairman, and I appreciate the opportunity to recognize and welcome Mr. Michael Aube who is president of the Eastern Maine Development Corp. and with whom I have worked on development projects in Maine.

The Eastern Maine Development Corp. is comprised of six counties, four of which are in my district. Those 6 counties represent 30 percent of Maine's population and several hundred communities.

Mike certainly has a tough job, and I can attest to the fact that he knows the needs of Maine's businesses and has a thorough grasp of this program.

So, I look forward to his testimony here today. I know it will be worthwhile, and I'm glad to have you here, Mike.

TESTIMONY OF MICHAEL W. AUBE, PRESIDENT, EASTERN MAINE DEVELOPMENT CORP., BANGOR, MAINE

Mr. AUBE. Thank you. Thank you, Mr. Chairman and Representative Snowe. I also have a prepared text, but I would like to paraphrase it.

Mr. LAFALCE. You may summarize it as you wish.

Mr. AUBE. Thank you, Mr. Chairman. I would just like to touch on two things—first the program problems that exist within the 503 program that we have discovered this past year; and second, address additional issues and problems that face small businesses, especially in rural areas. As Congresswoman Snowe indicated, I represent an area that is extremely rural where about 95 percent of the jobs are nonmanufacturing. These jobs are resource-related, and they are found in extremely small businesses or microbusinesses.

About 90 percent of the new private sector jobs in our area have come from those small businesses, and it's from that perspective that I would like to share my thoughts with you.

The 503 program has been an excellent tool. We have put together a few deals in eastern Maine this year that have, in fact, solved the problem of allowing a business to expand and grow and, at the same time, creating those private sector jobs that was the philosophical objective of the program. It did solve a credit gap problem by providing long-term, fixed asset financing.

But like any program, especially in its embryonic stage, we have found that there are differences of opinion on how the program

should be administered. And, on occasion we have had dealings with our SBA district office and SBA Washington office on differences as to what might be an eligible project.

Throughout the entire process, however, we have found the SBA office, and in particular, Mr. Wayne Foren, who runs the 503 program—I would like to add he is a Maine native—has been extremely helpful to us. We solved those differences of opinion in a very harmonious way. Differences occurred for a variety of reasons.

One, the difficulty establishing a nationwide policy of what is an eligible project for economic development. That comes from the standpoint that local economies are different. What may happen in eastern Maine or other rural areas of the country is not necessarily similar to the problems of small businesses in Los Angeles, New York, Boston, or other large metropolitan areas across the country.

The problems in rural areas are, first and foremost, an equity gap, that is, small businesses cannot retool because of their inability to obtain either financing from private sector or elsewhere. Presently, although the 503 program can help some businesses to retool, there remain many businesses that are unable to put together some type of financing operation which will allow them to expand or grow.

Although I believe that the 503 program has come a long way in addressing the equity gap, there remains a problem. I would suggest that perhaps a simple extension of the 503 philosophy would be to allow some type of equity financing whereby certain certified development companies across the country with a proven track record could, with SBA money, for example provide some equity financing to those small businesses which are healthy. I'm not suggesting a program that would help those small businesses which are going by the wayside, but rather those small businesses that really need some equity financing.

Rural areas lack basic financing because bank deposits for the large part come from out of State. In Maine, for example, most of our real banking money comes from the Boston market, and thus it is very difficult for microbusinesses to put financing together. Therefore, I would suggest, Mr. Chairman, that perhaps we look at the equity problem and consider ways where the 503 program might be able to solve it.

Second, I suggest that a certified development company with proven financing capabilities be allowed to sell in advance a certain amount of debentures based on capitalization that a CDC may have. This would allow CDC's to quickly process a deal within the parameters of the policy guidelines that would be established by the SBA.

The reason for my suggestion is that presently, the SBA 503 program has gained a lot of respect with the banking community. The banking community are the ones that refer projects to us, as a certified development company. We work with them. We then go through the process of working with our SBA district office.

Weeks awaiting a decision can go by. And if you are from a Snow Belt State, you may get into a situation where, although a project may be approved in September or October, that the timelag prevents construction starts during the winter season.

So, what I suggest is a way to expedite the situation by allowing proven CDC's who have financing capabilities to have some type of local autonomy to make quick decisions.

I think those are just the highlights that I would like to touch upon, and will be glad to address any questions you might have.

Mr. LAFALCE. Thank you. Without objection your prepared statement will be made a part of the record.

[Mr. Aube's prepared statement with attachment follows:]

PREPARED STATEMENT OF MICHAEL W. AUBE, PRESIDENT, EASTERN MAINE DEVELOPMENT CORP., BANGOR, MAINE

Mr. Chairman, members of the Subcommittee on General Oversight, I am very pleased to have the opportunity today to testify on behalf of what I feel is the economic development tool of the 1980's. Since its inception, the SBA 503 program has been one of the most unique and practical public/private sector initiatives for assisting small businesses with their economic development needs. Indeed, the SBA 503 program, as a concept and as a functioning development tool, has enormous potential for small businesses throughout this country. In fact, this is the first Federal financing tool which recognizes the importance of small and medium sized businesses in the job creation process through physical expansion.

Today, I would like to discuss with you two aspects of the 503 program. First, I would like to share with you the experiences that my Community Development Corporation has had in the past year with this 503 program. Secondly, and more importantly, I would like to discuss some continuing problems that small businesses encounter, particularly, rural areas. I believe that some of these issues may be addressed by simply extending some of the basic philosophical premises that created the 503 program. By providing this type of insight to the day-to-day administration of the 503 program, I feel that you, the lawmakers can easily resolve these problems, making this program even better and more successful.

Eastern Maine Development Corporation was designated as a certified SBA 503 corporation in June 1981. The corporation implements the SBA 503 program in what can only be described as in a rural context. Unlike our urban sisters, the capital needs of small business in Maine and other rural areas of this country are widespread and variegated. It is in this type of environment that Eastern Maine Development Corporation has been providing similar technical services to small and microbusinesses for 17 years. The Eastern Development District, designated by EDA in 1967, includes the six contiguous counties which historically make up the region called "Eastern Maine." It stretches from just south of Rockland, Maine to the most easterly U.S. point on the coast, Eastport, and north to the southern border of Aroostook County. Nearly 300,000 people, or 30 percent of Maine's population live in the 211 communities within the District. The Eastern Maine area encompasses approximately 40 percent of the land area of the State. Eleven separate and distinct labor market areas are included within the districts' boundaries.

Bangor, Maine is the cultural and retail hub of eastern and northern Maine, as well as sections of Quebec and the Maritime Provinces of Canada. The Bangor area accounts for nearly 40 percent of the total district's retail sales, a sum much larger than the next largest retail center. While Eastern Maine Development Corporation's main office is located in Bangor, Maine, grassroots economic development and planning is spread throughout Knox, Hancock, Penobscot, Piscataquis, Waldo and Washington Counties by extensive outreach development programs involving civic-minded individuals and the various business concerns.

The rural milieu of eastern Maine provides a unique economic environment that can be described as highly dependent upon the various small- and medium-sized businesses for jobs and taxable sales. The Eastern Maine Development area is roughly 91 percent covered by forests and 5 percent by water. Approximately 1,700 of Maine's 2,500 miles of coastline are within the district's boundaries. The area is sparsely populated, with a density of 23.5 people per square mile as compared to the national average of 61. The 1980 median effective buying power for the most populous county in the district, Penobscot County, was $16,768, slightly higher than the State average. In contrast, Washington County, in eastern Maine's region, has the lowest E.B.I. for the State and one of the lowest for the Nation. In short, Eastern Maine displays a unique admixture of socio-economic and socio-political characteristics.

Because of such factors as seasonal work, a narrow mix of industries and few employment opportunities which utilize the potential capabilities of eastern Maine's labor force, unemployment has been and continues to be the area's principal problem. In March 1982, the average six county unemployment rate was 10.68, as compared to a 9.3 rate for the State and a 9.5 rate for the U.S. This problem is hampered further by the fact that the vast majority of manufacturing activity is concentrated in paper and allied products, lumber and wood products, leather products, and textile mill products, all of which are experiencing recessionary declines. Despite the fact that a significant component of Maine's economy is dependent on the pulp and paper industry, the vast majority of employment potential rests in Maine's small and microbusiness sectors. Nationwide, small businesses account for approximately 50 percent of all newly created jobs, while in rural areas like Maine this figure may surpass the 90 percent mark. In short, this leaves economic growth and recovery opportunities in the hands of the various small- and medium-sized businesses.

It is under these circumstances that EMDC has been administering the SBA-503 program for a little over a year, and it is in this context that, through our experiences with the 503 program, we are in an opportune position to share with you our insight to issues that may be valuable to the successful longevity of this needed financing tool in rural areas.

Overall, the 503 program has been well received in eastern Maine by bankers, businesses, and the many civic-minded individuals who have been actively involved in this public/private venture. Our SBA district office has been an invaluable asset to our organization. They have been in the forefront, leading us through the process and working closely with us on individual problems. Other CDC's from rural areas nationwide have been in touch with us, and through our experiences, we have been able to assist them in their efforts to obtain SBA certification.

At this time, I would like to comment on the first aspect that I previously mentioned: our corporation's experiences over the past year with the 503 program. From our experiences and the solicited opinions of others, we have identified two areas where we feel time and cost saving improvements can be made in this program. In general, these areas relate to issues of program flexibility and nationwide guideline clarity. Administrative difficulties have been experienced with regard to construction and/or acquisition of plant facilities. The problem encountered can be attributed to the lack of a clear nationwide policy dealing with multipurpose buildings. In our dealings we have found various regional interpretations of what is a suitable plant facility.

In one instance, an application was never approved because the proposed facility was deemed to be single purpose because of land lease restrictions. Indeed, the proposed facility was multipurpose, and our regional office appeared to accept a preliminary provision for moving the facility, if need be to avoid the land lease restrictions. When the application was submitted, the regional office turned around and rejected this provision, ruling that the proposed facility was single purpose only. As a result, EMDC received mixed signals from the regional office. Actions, such as this, unfortunately undermine the program's credibility from the participants view and detracts from the program's viability. Despite the interpretational differences, the procedural matters were carried through in an atmosphere of complete cooperation.

A second instance of mixed interpretations has recently been experienced in a downtown revitalization project. In this case, community business representatives and civic-minded individuals, involved with a plan to revitalize downtown Bangor, Maine, were directed to the 503 program from American Cities Corporation. When we approached the regional office with the plan, it was ruled that rehabilitation and revitalization projects were not eligible for the 503 program. Soon thereafter, we discovered, through other CDC's that this type of activity is eligible in other parts of the country. In fact, we learned that CDE's were formed for the specific purpose of assisting in other downtown revitalization projects through the 503 program.

As a result, a major area economic development project has been held in abeyance due to unclear guidelines regarding multipurpose buildings and downtown revitalization projects. The credibility of the program was hampered because, on the one hand, American Cities Corporation was telling bankers and businessmen that 503 was the way to go, but EMDC on the other hand had to tell these people that the projects did not necessarily qualify under this program.

In contrast, we are extremely pleased with a 503 project that helped to finance the reconstruction of a local bakery that experienced an unfortunate fire, leaving 85 workers jobless. For the entrepreneurs, bankers, and EMDE staff, the 503 application process was extremely smooth. In just 3 short months since the fire and with

only three meetings, the bakery was back in full swing. In fact, because of the 503 package, the bakery was able to add a full third shift of workers.

The lack of consistency in guideline interpretation is problematic to rural small- and medium-sized businesses because the needs of these concerns are different than their urban counterparts. For instance, intensive public and private efforts have been placed on the Bangor, Maine downtown revitalization plans. Indeed, this is one of the most needed development areas for eastern Maine because of its vital economic impact to the whole region. The 503 program could be an instrumental financing tool for these activities.

I believe, based on my experiences that more clarity is needed in the regulatory interpretations of the 503 guidelines. By achieving more consistency in the policies, program administration at the CDC end will be greatly facilitated and improved.

Another concern of the many local CDC's is that the fees may be too low. The program mandates a relatively high degree of organizational capability to administer the program, and this capability in turn carries a significant cost. In fact, it has been our experience as well as that of other CDC's that the current rate structure does not cover the administration costs. In the long run this could severely inhibit local CDC capacity to adequately administer the 503 program. An initiation fee of 3 percent and a service fee of 1½ percent would more accurately cover the costs of administering the program. Indeed, this represents an increase over the current rate structure, but the long-term benefits of covering the administrative expenses will assure the program's longevity.

A final area that we feel may present opportunities for improvement includes the prohibition on individuals and/or organizations from providing services to two or more CDC's. For example, the rural nature of eastern Maine places upward limits on the numbers of possible persons/organizations that, over time, may acquire a substantive expertise in the various areas of loan packaging and closing. If, for instance, a major law firm has the expertise to close 503 loans and is utilized by one CDC, a second CDC would be prohibited from using this firm. Similarly, expertise in financial analysis could be shared among CDC's and be cost-effective. However, the present prohibitions prevent this type of organizational cooperation.

The second aspect of this testimony deals with the continuing problems of small businesses in rural America. In this, I see two areas of immediate concern. The first deals with the "equity capital" needs of small businesses, and the second deals with the need for more local control of what constitutes private economic development growth.

Today, the most significant problems facing small business growth in eastern Maine and elsewhere in rural America is the lack of available "equity capital". As capitalization has increased in a shift from labor-intensive to more capital intensive businesses, the increased demand for equity capital has also resulted. This increased demand will be followed by improvements in productivity and increases in income. Maine is a small business state, so the needs of small and oftentimes comparatively unsophisticated businesses must be served. The State's expanding rate of population growth and the need to modernize outdated industrial equipment and plants has already fueled the demand for capital. When sufficient capital is not available on reasonable terms, business startups are stifled.

The U.S. Department of Commerce estimated over 40,000 businesses in Maine, and only 5 percent of these are manufacturers. The largest portion by numbers are retailers. The manufacturing industry of Maine is mostly dominated by the paper industry, which is largely out-of-state owned and out-of-state financed. As a result, the majority of businesses are small operations and members of specialized segments of the economy such as farming, fishing, and wood cutting. Clearly these businesses are tied to the indigenous resources of the area. These smaller-scale businesses require special capital mechanisms which can operate at a smaller scale. Specialized segments have specialized needs, including a strong need for capital investment to increase productivity and support gradual growth in the value added by these industries. In addition, Maine's equity and/or venture capital needs are exacerbated further by the fact that there is only one visible SBIC in the State.

The SBA 503 program has come a long way to provide badly needed financing for these concerns; however, the eastern Maine financing market, like most rural areas, is still very restrictive and not adequate to supply the level and type of financing necessary to satisfy the needs of the many small- and medium-sized businesses. Rural areas, in general, have low levels of in-state deposits resulting in the lack of capital for small- and medium-sized businesses. Although the SBA 503 program provides for long-term fixed asset financing, an expanded 503 program could contribute significantly to the needs of small- and medium-sized businesses by further addressing this critical need for "equity capital."

I suggest that legislation be introduced to address the need for "equity capital" for undercapitalized business ventures with high debt to equity ratios. This could be initiated as a pilot project whereby 25 CDC's nationwide with a proven track record would participate. Selected CDC's would be loaned $1 million from SBA to invest in SBC's in the form of stock thereby providing the small business concern with the equity capital necessary to secure additional financing for growth resulting in increased employment opportunities.

Secondly, I believe that the SBA 503 program could have a greater impact on the vitality of small- and medium-sized businesses if the moneys could be used in selected nonmanufacturing areas. In 1980, only an estimated 112,829 out of an estimated total work force of more than 516,000 were involved in manufacturing in Maine. This leaves approximately 78 percent of the State's work force employed in nonmanufacturing areas. For instance, in Maine direct tourism employment alone accounts for approximately 20,000. Total nonmanufacturing employment is over 300,000 in the State. As a result, the economy of rural areas, such as Maine and especially eastern Maine would benefit more if the SBA 503 program could be targeted to areas of greatest employment which is not necessarily the manufacturing sector of the economy. Rather, projects should be evaluated on their ability to maintain and create jobs and to generally contribute to the overall economy of the area. Determination could be decided locally where the overall impact could best be assessed. A more effective use of the debentures could be made by targeting development efforts toward projects that have the best job generating and growth stimulating potential.

Moreover, it is our belief that better economic development uses of the 503 program could be made by allowing certain local certified CDC's, with a proven track record, to have more say in determining project eligibility. In this manner, the local CDC could deal with those prospects that promise to significantly upgrade the area's business climate. Currently, I feel that some of the best projects for economic development do not qualify because of restrictions that are essentially inappropriate in Maine's economic milieu. The CDC, at present, must demonstrate significant professional capabilities to become certified under the 503 program. A CDC's proven capabilities for packaging financing loans and providing small business management assistance, places the local entity in a strategic position for making areawide development decisions.

Economic development financing needs of small- and medium-sized businesses in eastern Maine are vastly different than those in New York, Chicago, or Los Angeles, and an equitable Federal policy should reflect those differences. By allowing more flexibility in establishing eligibility, financing dollars can be better targeted and public/private sector partnerships can be enhanced. The spirit of New Federalism was based on the notion of local control over decisionmaking, and it is my belief that the 503 program is an ideal tool to carry out New Federalism by further decentralizing the decisionmaking process.

In this regard, I believe that legislation be designed to provide CDC's with additional development financing tools. Designated 503 CDC's should be allowed to sell SBA guaranteed debentures up to an established ceiling, determined as a percentage of the CDC's capitalization without going to SBA on every loan application for guarantee authorization. Not only will this program provide quicker processing time and less paperwork in structuring an SBA loan package, but it will also allow those CDC's who have gained the respect of the lending community, the flexibility needed to effectively approve projects at the local level. I feel that this is one way of making 503 more effective.

As the 503 program enters its second year of operation, I can envision a marked nationwide increase in demand, as more CDC's become certified and as more small- and medium-sized businesses become knowlegeable of the program. The result of this increased demand will be to put added pressures on the current 503 funding levels. At the same time SBA section 7(a) funds are comparatively underutilized. Therefore I would recommend that provisions be made to allow the transfer of 7(a) and 503 funds by the CDC. This would assure adequate financing without increasing the SBA's allocation. Both programs provide guarantees and financing limits and both programs, as in our case, are administered by the same organization. Since Congress is unlikely to significantly increase the appropriation for the 503 program, some similar alternative may be required in the near future. Otherwise, the debentures may have to be sold in the private bond market which would add to the current interest rate on 503 loans.

In closing, I would like to briefly reiterate my recommendations to you today. First, I feel that clearer nationwide guidelines and interpretations should be established. Second, I believe that a great deal can be accomplished along the above-mentioned lines to close the equity gap for small businesses in America. Third, I believe

that CDC's with proven track records be allowed more flexibility in the overall process. And fourth, I believe much can be gained by combining certain aspects of 503 and 7(a) programs. Overall, the SBA 503 program represents a significant milestone in public/private sector partnerships. Our experience to date has been extremely positive. Local bankers, entrepreneurs, and civic-minded citizens hold this program in very high regard because it is designed to maximize local cooperation. My comments to you have been offered as constructive recommendations in an effort to fully maximize the 503 program's potential. Indeed, this program does represent the small- and medium-sized business tool of the 1980's. The only program in town that addresses the needs of America's small businesses is the 503 program.

EASTERN MAINE DEVELOPMENT CORPORATION
10 FRANKLIN STREET
BANGOR, ME 04401
(207) 942-6389

MEMORANDUM

March 5, 1982

TO: Development Finance Committee

FROM David Cole

SUBJECT: Refinancing of LaBree's Inc.

Background

On January 12, 1982 the LaBree's bakery facility in Old Town, Maine was badly damaged by fire, throwing approximately 85 people out of work. Losses have been estimated at $502,000, including $387,000 in damage to the building and a $115,000 loss in inventory. The company has received $483,000 from the insurance settlement, thus sustaining a direct net loss of $19,000 as a result of the fire.

The 22,000 square foot building was just a few weeks short of being two years old. In January, 1980 the bakery relocated to the new building in the Old Town Industrial Park from the French Island location where it had operated since 1948. The decision was made to relocate to the industrial park primarily because of increased demand for the company's product and limited room to expand at the French Island site. The cost of constructing the new building was $472,000. Financing for the project was provided through a first mortgage loan from Northeast Bank of Bangor and a subordinated SBA 502 loan. The outstanding balances of the Northeast and SBA mortgage notes are $319,817 and $143,000, respectively.

Present management took over the business in 1979 and formed LaBree's Inc. At that time, the company was engaged almost exclusively in wholesaling fresh bakery products to grocery stores, supermarkets and vendors in eastern Maine. Shortly after moving into the facility, LaBree's expanded into a new line of frozen dough products. Management feels that the market for its fresh bakery products in eastern Maine is nearly saturated, whereas the growth potential for its frozen product in Maine, New England and the U.S. is virtually unlimited. At the time of the fire, the frozen food line had already grown to represent about 30% of total sales. LaBree's was selling its frozen products to four regional distributors: Associated Grocers of Maine, Wetterau Incorporated, Miliken Tomlinson Co./ Portland Division, and Miliken Tomlinson/Presque Isle Division. Negotiations were also underway with Shaws and Hannaford Brothers. Management attributes the improved sales and earnings picture during the first six months of FY 1982 to its decision to enter into the frozen foods market.

It appears that LaBree's can be a viable and profitable business if the company can regain the sales volume it enjoyed during the last six months of operation, and if it can survive during the "start-up" period. The company's wholesale and vending lines are well established and diversified and there should be no great problem winning these customers back. There has been some concern regarding the frozen food line due to their relatively recent entry into the market and the concentration of sales to a few large distributors. This concern has been greatly alleviated, however, as very favorable letters of intent have been received from these distributors (attached).

Refinancing Plan

Given that the company has a reasonable chance of recapturing its share of the market, and is otherwise financially and economically viable, the question remains as how to best recapitalize the firm so it can get back into operation as soon as possible and on the best financial footing possible. As best as we can determine from the financial projections prepared for LaBree's, the company will need an additional $128,000 in new funding after applying the proceeds from the insurance settlement and existing resources. Several options for raising this money have been explored. The best possible alternative, developed in conjunction with SBA and Northeast Bank, appears to be a recapitalization plan involving an SBA 503 debenture and an EMDC working capital loan. The scenario would be as follows:

1. The existing first mortgage of $319,817 held by Northeast Bank will be paid off from the $483,000 of insurance proceeds. The existing SBA 502 loan of $143,070 will stay in place. The remaining balance of the insurance settlement, $163,183, will be available for working capital when the company resumes operations.

2. Permanent financing for the reconstruction of the building, estimated at $387,000, will be provided by Northeast Bank and the SBA 503 program. Northeast Bank would loan LaBree's $232,000 for 20 years at 10.5% annual interest, to be secured by a first mortgage on real estate. EMDC would loan LaBree's the remaining $155,000 through the sale of a 503 debenture with SBA's guaranty. The term of the debenture would be for 20 years with the interest rate to be determined when the debenture is sold. Land and improvements owned by LaBree's will constitute the 10% injection required by SBA. The existing SBA 502 loan of $143,070 would be subordinated to the Northeast Bank note and the SBA 503 debenture and would be further secured by a first security interest in certain pieces of bakery equipment. SBA officials have indicated a willingness to do this.

SOURCES AND USES OF FUNDS

	Pay Off Existing Debt To N.E. Bank	Reconstruction	Working Capital	Total
Insurance Proceeds	$319,000		$164,000	$483,000
Northeast Bank		$232,000		$232,000
SBA 503		$155,000		$155,000
EMDC			$ 60,000	$ 60,000
Total	$319,000	$387,000	$224,000	$930,000

3. As a result of the refinancing transactions described above, an additional $68,000 of insurance proceeds would be available as working capital. These funds would have otherwise gone into the reconstruction of the building if the company did not refinance under this scenario.

4. The balance of the company's working capital need, given the availability of the above referenced $68,000, would be about $60,000. The company is requesting a term loan of $60,000 from the EMDC Revolving Loan Fund to fill this gap. Terms and conditions of EMDC's participation will be discussed on March 11th, including interest rate, term of loan, collateral, etc.

Project Status

SBA has informally reviewed the project and has strongly encouraged LaBree's and EMDC to submit an application for a 503 debenture sale and guaranty. Northeast Bank has also agreed to participate (see attached letter). Construction activities are underway and expected to be completed by mid April. Temporary financing is being provided by LaBree's and advances from Northeast Bank.

In sum, the Development Finance Committee will be considering two requests from LaBree's at the March 11th meeting. The first request is for EMDC to apply to SBA for a 503 debenture sale and guaranty of $155,000 for the reconstruction of the facility. Secondly, the company is requesting a $60,000 working capital loan from the Revolving Loan Fund.

There are still some details of this arrangement that have to be worked out. A complete application will be together by early next week.

The following information has been attached for your review. Please call if you have any questions.

Mr. LAFALCE. I'm going to defer my questions. However, I am sure that Representative Snowe might have some, and I call on her.

Mrs. SNOWE. Mike, in your opinion, because of the difficulties in Maine to create jobs or to expand businesses, do you think that these loans would have been made? Would these packages occur otherwise if the 503 program had not been in existence?

Mr. AUBE. As a matter of fact, there was a particular case in Old Town, Maine, which has a small bakery that went through a fire. The three owners of that bakery had a fire last January. There were about 65 people working there at the time. They came to us and they tried to put together a private financing deal through conventional banks. It just was prohibitive with respect to interest rates, and they toyed with the idea of just closing up the shop, taking their profits, and going away. Well, we worked with the principals and with SBA's dedicated assistance, put together the 503 package within 3 months, and in only three short meetings. The SBA national office was very helpful to us. Now, there are 85 jobs in Old Town, within a new facility. In fact, they are even putting on a third shift of workers.

Clearly, the 503 program, if it had not been there, the principal owners would have walked away and taken the profits, and those people would have been out of a job in the small rural community.

Mrs. SNOWE. In fact, I visited that bakery just very recently, and I know the owner was very pleased and was able to get going in a short timeframe which was possible given the circumstances.

Mr. AUBE. That's correct.

Mrs. SNOWE. Second, you mentioned, and I know the earlier panelists mentioned, various interpretations they received regarding rules and regulations from the 503 program through the local SBA office to the regional office to the central office here in Washington. Can you speak about that and elaborate? Also, they are talking about the differences of the needs for a rural area versus an urban area where we can reflect that in our regulations. I know you spoke from an equity situation, but could you elaborate from any other regulations?

Mr. AUBE. Well, I think the problem stems from a philosophical standpoint of what the 503 program is. It is to provide long-term fixed asset financing and also create jobs. It is the only program that I know of now which deals with small business and job creation at the same time.

However, what you have in rural areas is a different type of economy than exists in urban areas. For example, we are unable to put together a package of programs for, say a lumber mill, because it is single purpose. They are resource-related types of projects which would not be eligible. It is these types of small business concerns which I am talking about are presently ineligible for participation with the 503 program. Yet in rural areas they make up the small business community.

Mrs. SNOWE. What is the definition of "single purpose?"

Mr. AUBE. Well, it depends on who you are talking to and what time. We all try to make the case that a specific facility is not single purpose. We had one example in Trenton, Maine, where the project was a hangar. It was a fixed-based operator, and he was

going to build a hangar facility. SBA determined that was not multipurpose, but rather single purpose, and we were unable to do it with the 503 program but did it with the 7(a) program. Throughout the whole process, we were getting mixed reactions from SBA as to how to deal with this project. I think that comes again from two problems. One, the program is new, and second, the regional differences of what is important to the local economy.

What is multipurpose; what is single purpose, and how does that interplay with the entire economy of the rural area?

Ms. SNOWE. Thank you.

Mr. LAFALCE. Mr. Weber.

Mr. WEBER. Thank you very much, Mr. Chairman. I am very pleased that we have the witnesses with us today, and I'm very interested in their testimony. I'm certainly interested in this program. I don't have any particular questions, but I do want to make the observation that in Toledo, Ohio, we do have the Community Development Corp. which has been of tremendous assistance to the city of Toledo, and the development of some of the businesses which have entered an urban enterprise zone which we have in our city. Whatever we can do to improve this program is something that needs to be addressed. And I compliment you, Mr. Chairman, on holding these hearings today. I have no questions of the witnesses. I will study the testimony and pay close attention to the further witnesses that we have today.

Mr. LAFALCE. Thank you. I want to thank the representatives from NADO very much, not only for their participation in today's hearings, but for the fine work the organization is doing, especially in the small and rural communities of America which are often neglected. This subcommittee will work very closely with organizations such as yours in the future to try to make sure that such neglect is something of the past and will not happen again.

Thank you.

Our next witness will be the new Administrator of the Small Business Administration, Mr. James C. Sanders.

TESTIMONY OF JAMES C. SANDERS, ADMINISTRATOR, SMALL BUSINESS ADMINISTRATION, ACCOMPANIED BY EDWIN T. HOLLOWAY, ASSOCIATE ADMINISTRATOR FOR FINANCE AND INVESTMENT, AND MARTIN D. TECKLER, ASSOCIATE GENERAL COUNSEL

Mr. SANDERS. Mr. Chairman, if I can approach your chair?

Mr. LAFALCE. You certainly can.

Mr. SANDERS. It is a pleasure to present you this snapshot.

Mr. LAFALCE. Thank you very much. Was that your first bill-signing ceremony, Jim?

Mr. SANDERS. Yes. It was quite a thrill for me.

Mr. LAFALCE. This is also your first appearance before this subcommittee.

Mr. SANDERS. That's correct.

Mr. LAFALCE. We welcome you here, and I'm sure you'll be back often.

Mr. SANDERS. Thank you, Mr. Chairman. It's nice to start on something we agree with.

Also, I am grateful that in this company my name is remembered. An old friend called in the other day for me, and they called in our general telephone switchboard and said could he speak to Mr. Sanders. The operator said, "Who?" He said, "Mr. Sanders." And she said, "Well, I don't think we have anybody by that name here." The next thing he said was, "Well, I think he might be the Administrator." She said, "Well, administrators come and go. We can't keep track every time."

Mr. Chairman, if I may, I would like to summarize my written statement. I'll condense it.

I appreciate the opportunity to appear before you today to discuss the Small Business Administration Section 503 Certified Development Company program. This program was created by Congress in July 1980 by amending title V of the Small Business Investment Act of 1958.

I would like to briefly provide an overview of SBA's philosophy and approach to the 503 program, identify certain features, summarize its development, and highlight the program's activity for the last 21 months.

The 503 program is SBA's principal economic development tool to assist communities, both urban and rural. It is intended to stimulate the growth and expansion of small businesses through the services offered by certified development companies [CDC's].

A CDC, by definition, is a statewide or local development company that has met specific qualifications and has demonstrated that it has the continuing capability to bring about economic development assistance within the defined geographical area. The role of the CDC is to be a catalyst in economic development and to marshal the resources necessary to complete economic development projects, combining resources from both the public and the private sectors.

The trend within SBA is to "wholesale" our programs and to rely to a greater extent on our private sector participants in delivering our services to small business. This philosophy was incorporated into the 503 program, while at the same time establishing necessary procedures and controls to assure proper oversight in evaluation of CDC's.

A significant program priority has been to develop the procedures and safeguards necessary to provide broad utilization of Federal resources.

For example, while the statute provides for an SBA guarantee of up to 50 percent of the project cost in a single project, typically our guarantee covers 40 percent or less. Our regulations also provide that SBA cannot exceed $500,000 to any one small business concern. Another important control feature of the program is the use of a private sector central fiscal [CFA] agent to perform disbursement, collection, investment and reporting functions.

There have been three phases in the development and implementation of the 503 program. The first phase occurred during July through October 1980, and involved the development of the rules, regulations, forms, interim instructions, and procedures. The second phase was an implementation phase that occurred during October 1980 through September 1981. The third phase involves oversight and refinement, which is now underway. We believe a

cautious approach has been taken during the development and implementation of the program. This approach will be continued as the program is being managed. There are two provisions of the pending legislation, S. 1947, that are a matter of concern to us that involve this program. I am seriously concerned about section 18 of S. 1947 [H.R. 6086] as reported by the House.

This section would permit the proceeds of SBA financial assistance to development companies to be used for working capital. This would completely alter the concept of the 502 and 503 programs, which assist local communities in their economic development efforts through fixed asset financing. Working capital is obtained either from the private sector or with the assistance of other SBA programs. We see no justification for abandoning this concept. In addition, this proposal would probably have a negative effect upon the financial soundness of the program.

Mr. LAFALCE. Excuse me, before you go on to section 19.

Mr. SANDERS. Yes.

Mr. LAFALCE. I concur with you about section 18. I'm concerned about undermining the soundness of the program as we have developed it, and to which the private financial community has been so responsive. At least, that's my understanding. What's the status of the Senate side now?

Mr. SANDERS. You mean, a feel for where they are?

Mr. LAFALCE. Yes. Is the Senate going to take this up or is this going to conference so that we could do something about it?

Mr. SANDERS. Mr. Teckler might address that issue.

Mr. TECKLER. Mr. Chairman, I'd hesitate to speak for the Senate. I know this issue is of grave concern, and I believe it would be ripe for consideration in a conference. They are as concerned as you have expressed this morning and as the Administrator has expressed about the effect this would have on the fiscal soundness of the program.

While I won't offer any opinion on the Senate's exact position, I know that it is a matter of grave concern.

Mr. LAFALCE. Grave concern to whom? The SBA or the Senate?

Mr. TECKLER. Certainly to the SBA as the Administrator has explained it.

Mr. LAFALCE. Have you communicated your grave concern to the Senate? I'm not sure that prior to today's hearing you have expressed that concern to the House.

Mr. SANDERS. I thought we had.

Mr. TECKLER. Yes; we have, Mr. Chairman, unless the communication is lost between OMB and——

Mr. LAFALCE. Well, when you say communicated it, was it to the individual members of the House, or the Small Business Committee, or just the chairman of the Small Business Committee? Communicating something to just one person who might not agree with you, is not the best way to transmit your point of view to all the members, especially those who might be in agreement with you.

Mr. SANDERS. We sent copies of that communication to the members.

Mr. TECKLER. Not with copies, Mr. Administrator. It's my understanding that the communication was requested on behalf of the

committee, as opposed to on behalf of the individual who was the chairman of the committee.

I believe it is the responsibility of that individual to make it available to the committee members.

Mr. LAFALCE. Well, you can rely on the individual to discharge his implicit responsibility to share opposition to his point of view with others. On the other hand, maybe that's not the best way to proceed.

Mr. SANDERS. I think we will take a well-intended suggestion, Mr. Chairman. I appreciate your advice. When we return, let's have a little session on communication.

Mr. LAFALCE. Shall we continue on section 19?

Mr. SANDERS. Yes; section 19 of the same bill would also affect the 503 program. Under current law, development company debentures may be used to provide funding for up to 50 percent of the costs of the project. The proposal would permit financing for the senior lien position. Private sector half to come from tax-exempt industrial revenue bonds, and thus overturn current Federal policy.

The practical effect of this proposal would result in SBA guarantee of the tax-exempt financing. For reasons well known to the committee, it is the longstanding executive branch policy to oppose such double subsidy.

Mr. LAFALCE. All right, Jim, let's talk about that. You heard the representatives of NADCO agree with you regarding section 18 and disagree with you with respect to section 19. It is my understanding that representatives of NADCO would disagree with you with respect to both. But let's focus on section 19 now.

You've heard how they argue. Double subsidy is nothing new. It happens with UDAG programs, probably happens with (EDA) programs and Farmers Home Administration programs. This can't really be an executive branch policy, so why is it an SBA policy? They also argued this was in controvention of the legislative intent as expressed by the committee report. Would you care to comment?

Mr. SANDERS. Well, comments and suggestions were brought forth by NADCO and the other witness here. I would request to the chairman that we respond item by item, including their comments on the double subsidy.

I am surprised. I did not realize at the present time UDAG was continuing in this practice. I intend to follow through to find out if there is some inconsistency.

Mr. LAFALCE. All right, you will include that in a further report?

Mr. SANDERS. Yes; absolutely.

Mr. LAFALCE. All right, fine.

Mr. SANDERS. Proceeding on in the program activity, I would like to share with you the activity which has been generated by this program. For certification where received 283 applications by June 30, 1982, of this number, 239 were approved, 2 declined, and 42 were in the process on that date. During the first 21 months of the program, 485 loans were approved for $84 million. These figures are significant, but when you consider the leverage of the private sector, the total financing involved is well over $200 million, with over 15,000 jobs being either created or retained. Of the 485 debentures approved, 200 projects have been completed, and the debentures sold to the Federal financing bank for a total of $34 million.

The remaining 285 projects remain under construction and are being financed privately. When completed, these debentures will also be sold to the Federal financing bank.

Let me reiterate that our goal is to properly manage this new program. Specific management goals are: First, to assure adequate geographic coverage without oversaturation. Next, to consider alternatives and innovations that will place greater reliance on the private sector, and improve the program, and finally, to appropriately utilize this program in enterprise zones when the opportunity exists.

Mr. LAFALCE. Don't hold your breath.

Mr. SANDERS. Finally, the 503 program is a good example of the President's philosophy of implementing a Federal program and partnership with State and local governments in the private sector. I would also like to add that SBA is giving high priority to implementing this program in a responsible manner.

Mr. Chairman, this concludes my prepared remarks. I will be happy to answer any further questions.

Mr. LAFALCE. Thank you. Your entire prepared statement will be printed in its entirety into the hearing record.

[Mr. Sanders' prepared statement follows:]

PREPARED STATEMENT OF JAMES C. SANDERS, ADMINISTRATOR, SMALL BUSINESS ADMINISTRATION

I appreciate the opportunity to appear before you today to discuss the Small Business Administration's Section 503 Certified Development Company Program. This program was created by Congress in July 1980 by amending title V of the Small Business Investment Act of 1958.

I would like to briefly provide an overview of SBA's philosophy and approach to the 503 program, identify certain of it's features, summarize its development, and highlight the program's activity for the last 21 months.

PHILOSOPHY AND APPROACH

The 503 program is SBA's principal economic development tool to assist communities, both urban and rural. It is intended to stimulate the growth and expansion of small businesses through the services offered by Certified Development Companies (CDC's). SBA guarantees debentures of CDC's, which in turn use the proceeds to assist small business concerns by financing part of long-term fixed asset projects. These projects are designed to create or retain a meaningful number of jobs in the communities affected, with a special emphasis on distressed areas.

The debentures are sold to the Federal Financing Bank (FFB) for a term of 15 to 25 years. They bear a rate equal to the Federal Financing Bank rate plus approximately 1 percent for servicing. Typically, the debentures provide permanent financing for 40 percent of the project cost, which is subordinated to a first mortgage of 50 percent of the project cost provided by a private sector lender. The CDC, or small business, provides the remaining 10 percent.

CERTIFIED DEVELOPMENT COMPANY

A CDC, by definition, is a Statewide or Local Development Company that has met specific qualifications and has demonstrated it has the continuing capability to bring about economic development assistance within a defined geographical area. Its membership must represent two of the following four groups: (1) local government, (2) private sector lending institutions, (3) community organizations, and (4) business organizations.

The role of the CDC is to be a catalyst in economic development and to marshal the resources necessary to complete economic development projects, combining resources from both the public and private sectors. The CDC's first responsibility is to identify feasible development projects. Typically, lenders, realtors, accountants, and lawyers locate potential small business concerns that are in need of long-term fixed-asset financing. Once a project is identified, the staff of the CDC helps the small

business prepare its loan application and supporting financial exhibits. These are then submitted to the local SBA office. When SBA approves the loan it gives the CDC an authorization identifying the terms and conditions required to sell the 503 debenture to the Federal Financing Bank. The CDC uses this authorization to secure private sector financing. In a typical project, a private sector loan is used for all of the construction financing and for 50 percent of the permanent financing. When the project is completed, the debenture is sold to the Federal Financing Bank. The proceeds are used to reimburse the interim lender. The CDC then proceeds with its servicing responsibilities for the small business.

The trend within SBA is to "wholesale" our programs and to rely to a greater extent on our private sector participants in delivering our services to small business. This philosophy was incorporated into the 503 program, while at the same time establishing necessary procedures and controls to assure proper oversight and evaluation of CDCs. "Wholesaling" is a significant departure from the philosophy under the 502 Local Development Company Program. However, it should be noted that the 502 program remains active.

It has been the aim of this administration to properly implement and manage this program, refining its operation to insure adequate controls and protection of government resources. Far too many Federal programs that began with fanfare and promise are either improperly designed, or carelessly implemented. When allowed to grow unmanaged, the result is unnecessary cost to the taxpayers. We intend to learn from these earlier mistakes and avoid those pitfalls. However, if in the future it is found that the program is not properly managed, appropriate action will be taken to correct the problems—whatever they may be—even if it means suspending certain aspects of, or participants in, the program for a time.

CERTIFICATION PROCESS

As you can see, we view the certification of a Development Company to be an important event and the certificate a thing of value. The certification process involves three levels of review:

1. The District Office has the primary responsibility to determine whether the application is complete and whether there is compliance with regulatory and procedural requirements. If the application is complete and meets SBA criteria, a recommendation for approval is made to the Regional Administrator.

2. The Regional Office has the responsibility to determine whether it concurs with the District recommendation and to submit the application to the Central Office. Generally, only applications where there are recommendations for approval are submitted to the Central Office. Decisions to decline an application are made at the district or regional level.

3. The Central Office has the authority and responsibility to make final determinations of approval. To insure compliance with all relevant requirements and uniformity on a national basis, the Central Office makes a detailed review of each application.

OTHER SIGNIFICANT FEATURES OF THE PROGRAM

A significant program priority has been to develop the procedures and safeguards necessary to provide broad utilization of Federal resources. For example, while the statute provides for an SBA guarantee up to 50 percent of a project cost on a signal project, typically our guarantee covers 40 percent or less. In practice, this means that on average for every $100,000 extended in long-term development capital to small business concerns, SBA incurs a contingent liability of $40,000 (guaranteed debenture of CDC). This insures that within the program funding ceiling we can assist a greater number of small firms. Our regulations also provide that the SBA guarantee cannot exceed $500,000 to any one small business concern.

Another important control feature of the program is the use of a private sector Central Fiscal Agent (CFA) to perform disbursement, collection, investment and reporting functions. The CFA process provides the SBA, CDCs, and SBC with a number of important benefits: (1) effective control over the disbursement and collection of funds; (2) reports to CDCs and SBA on transactions and the status of portfolio; (3) invests the small business concern's escrowed monthly payments and, on a semiannual basis, services the guaranteed debenture. The income from the investment of monthly payments is passed on to the small business when the debenture has been fully satisfied. In the event of default, the invested funds will be remitted to SBA to help offset losses on the debenture.

DEVELOPMENT OF THE PROGRAM

There have been three phases in the development and implementation of the 503 program. The first phase occurred during July through October 1980 and involved the development of Rules and Regulations, forms, and interim instructions and procedures. The phase ended with an orientation session for field personnel.

The second phase was an implementation phase and occurred during October 1980 through September 1981. During this period, procedures were tested, as development companies were certified, loans and debentures were approved, and debentures were sold to the Federal Financing Bank. The CFA was selected (Chemical Bank of New York) and the standard operating procedures were finalized. Again, this phase was concluded with a training session for field personnel.

The third phase involves oversight and refinement which is now under way. We believe a cautious approach has been taken during the development and implementation of the program. This approach will be continued as the program is being managed.

COMMENTS ON S. 1947, AS PASSED BY THE HOUSE

There are two provisions in pending legislation that are a matter of concern to us that involve this program. I am seriously concerned about Section 18 of S. 1947 (H.R. 6086, as reported by the House). This section would permit the proceeds of SBA financial assistance to development companies to be used for working capital. This is in addition to the currently permitted use of funds for land, capital improvements and machinery. This would completely alter the concept of the 502 and 503 programs, which assist local communities in their economic development efforts through fixed-asset financing. Working capital is obtained either from the private sector or with the assistance of other SBA programs. We see no justification for abandoning this concept. In addition, this proposal would probably have a negative effect upon the financial soundness of the program. With "bricks and mortar" as collateral, the program is on a sound financial footing; this could be weakened if funds were also used for working capital.

Section 19 of the same bill would also affect the 503 program. Under current law, development company debentures may be used to provide funding for up to 50 percent of the cost of a project. The proposal would permit financing for the senior lien position, private sector half to come from tax-exempt industrial revenue bonds, thus overturning current Federal policy. The practical effect of this proposal would result in an SBA guarantee of the tax-exempt financing. In a typical transaction SBA is in a second lien position; the non-SBA portion has a first lien. In order to protect its second lien, SBA would be in effect guaranteeing repayment of a tax-exempt bond. For reasons well known to the committee, it is a long-standing executive branch policy to oppose such "double-subsidy."

PROGRAM ACTIVITY

I would like to share with you the activity which has been generated by this program. By June 30, 1982, 283 applications for certification were received, of which 239 were approved, 2 declined, and 42 were in process on that date. During the first 21 months of the program, 485 loans were approved for $84 million. These figures are significant, but when you consider the leverage of the private sector, the total financing involves well over $200 million and over 15,000 jobs being either created or retained. Of the 485 debentures approved, 200 projects have been completed and the debentures sold to the Federal Financing Bank for a total of $34 million. The remaining 285 projects remain under construction, and are being financed privately. When completed, these debentures will also be sold to the Federal Financing Bank.

Let me reiterate that our goal is to properly manage this new program. Specific management goals are: To assure adequate geographic coverage without oversaturation; to consider alternatives and innovations that will place greater reliance on the private sector and improve the program, and to appropriately utilize this program in enterprise zones when the opportunity exists.

The 503 program is a good example of the President's philosophy of implementing a Federal program in partnership with State and local governments and the private sector. I would also like to add that SBA is giving high priority to implementing this program in a responsible manner. As we carry on the program, policy, and procedural changes will be made from time to time to strengthen and improve it. As problems occur, appropriate and timely action will be taken.

Mr. LAFALCE. For the questions, we will first turn to Congresswoman Snowe and Congressman Weber, and then I will have a few myself.

Ms. SNOWE. Thank you, Mr. Chairman, and thank you, Mr. Sanders for your testimony and for being here today. Can you tell me, do you see any areas or need for change with respect to the 503 program?

Mr. SANDERS. Well, Congresswoman, I guess at the present time we are so busy trying to get the program out, review our present procedures, and how they are working that I am not overly concerned with any overriding change. Of course, most of our attention is on proposed legislation which would make changes in the 503 program that we don't consider advisable and which may endanger the program as a whole. This is a fine program. It is a marvelous concept, and we want to be very careful that we keep its reputation unsullied. So, we will certainly review the suggestions made and I suppose that as time evolves we will find some suggestions that merit some support.

I was interested in the comments made about the alter ego situation. I think that has some real merit, and I want to get back and find out what we might do to facilitate something that is substantially all right, but doesn't quite follow the form.

Ms. SNOWE. Yes; I think it would be important for your office to review the analysis done by the earlier panel and the recommended changes because I think by and large, your assessment was excellent concerning the program, but feel that there should be through their experience some changes made.

So I think, it would be critical for your office to examine those changes. Have complaints been brought to your attention regarding the program because of various interpretations of the rules and regulations?

Mr. SANDERS. Well, the only one I can think of offhand is one that seemed to be learning toward the use of the 503 as a substitute for mortgage financing and prior commitments. We got involved in this situation rather quickly, and we wanted to be sure that this wasn't being used as a great replacement for the evaporating mortgage lending facilities, in that to use the funds that way wouldn't produce any jobs or particularly help the small businesses.

Ms. SNOWE. Mike Aube from Bangor, Maine, who is the president of the Eastern Maine Development Corp., mentioned in his testimony, for example, different opinions concerning whether or not 503 money could be used for a downtown revitalization project. Now, it seems to me that it's important to establish uniformity on the rules and regulations on a nationwide basis. At the same time, I think that those regulations should allow for some tailoring and flexibility, particularly when it concerns an urban area versus a rural area. I noticed that he cited that as one example in his own testimony. Would you agree?

Mr. SANDERS. Yes; I would agree. As a matter of fact, I think there was a situation just recently in Maine involving a downtown revitalization. We interpreted that it did meet the requirements just as it would in a more concentrated urban area.

Ms. SNOWE. Thank you. Thank you, Mr. Chairman.

Mr. LAFALCE. Mr. Weber.

Mr. WEBER. I just was wondering about the costs of this program, and realized this is a guarantee program and it has only been in effect for 21 months. But have there been any losses on the debentures so far that have been guaranteed and sold.

Mr. SANDERS. It seems to me that it is a miniscule sum.

Mr. HOLLOWAY. Actually, not yet in this program. It is just too early.

Mr. SANDERS. I thought somebody said something about one-tenth of 1 percent of the outstanding commitments. But anyway, it's too early.

Mr. HOLLOWAY. Too soon to tell.

Mr. WEBER. It's just too soon to tell. What is the cost to the program?

Mr. SANDERS. I'm going to ask Mr. Holloway to estimate the number of people he's got involved.

Mr. HOLLOWAY. Mr. Congressman, I will be glad to submit for the record an estimate of the total administrative cost, salaries and expense, and personnel required for the program. It is really not large. This is not one of our labor-intensive resource consuming type programs.

Probably nationwide, there's less than 100 people involved anywhere near full time on something like this. Our chiefs of financing and assistant district directors for finance and investment, for example, would spend no more than 5 to 10 percent of their time. I'll be glad to submit for the record an estimate of the overhead associated with this program.

Mr. WEBER. Thank you very much. I don't have any further questions. Again, I will repeat my earlier comment that we have been very pleased in Toledo with the cooperation that we have had from the SBA on the particular business activity for our Warren Sherman enterprise zone, and we are hoping that that enterprise zone which has been created in Toledo with certain municipal advantages now overlaid with State urban enterprise legislation will be enhanced even more by the passage of Federal urban enterprise zone legislation. But this has been a program of considerable assistance to the development of one or two businesses in that particular zone, even without the Federal tax incentives that we are looking and hoping for.

Mr. LAFALCE. Jim, in fiscal 1982, Congress approved a program level of $250 million in loan guarantee authority. The administration requested a reduction to $150 million. This is just a loan guarantee. For fiscal year 1983, SBA requested the same $150 million. This means that 503 funds would be held at the 1982 level even though NADCC, NADO, and I think the administration have expectations for great increases in loan guarantees with any economic recovery, whatever its level might be.

The House and the Senate Small Business Committees have recommended a program level of $250 million. Would you care to make any comments about that?

Mr. SANDERS. Mr. Chairman, we were concerned about the level when we made that recommendation. We felt that that was an adequate amount measured on the flow of the applications and the amount that we anticipated. However, we are well aware of the

fact that with the recovering economy and the success of this program, which continues to reflect credit on not only the administration, but on your committee and on the Congress, that the demand may increase, and that we may be in a position of coming back and asking for an adjustment, if we feel that it's warranted. But that was our best shot at the time.

Mr. LAFALCE. What I am concerned about is that if there is a lower level authorized than what is needed, there might be a tendency on the part of SBA to be rather stringent in its approvals and its requirements so that it wouldn't accurately reflect the need that's there. You might say, "OK, we've got $150 million. We are only going to approve a quarter of that per quarter no matter what the demand might be."

Mr. SANDERS. We do not have any quota.

Mr. HOLLOWAY. We do have an apportionment form OMB by quarter. I have some estimates with respect to next year that I could give you.

Mr. LAFALCE. You have them now? You could share them with us?

Mr. HOLLOWAY. All right. This year, even though $250 million was authorized and the administration's level was $150 million, we are actually going to use in the 503 program no more than something like $80 million. There will be perhaps as much as $20 million used by the 502 program.

Mr. LAFALCE. By this year, you mean fiscal 1982?

Mr. HOLLOWAY. Fiscal 1982, yes.

Mr. LAFALCE. Which began October 1, 1981.

Mr. HOLLOWAY. Yes, sir, 1981. We are estimating that for this year we will use $20 million in 502 and $80 million in 503 for a total of $100 million, notwithstanding the fact that we did have $150 million apportioned to us.

Mr. LAFALCE. But the program was in its embryonic stage.

Mr. HOLLOWAY. In its embryonic stage, that's right, and it is growing. Next year for fiscal 1983, we are estimating a 50-percent increase in what we are using for 503. That is, $80 million would go to $120 million and roughly the same $20 million for 502. We are estimating in the neighborhood of $140 million for the actual use next year.

As this program grows, there is a good little bit of time lag. For example, we have now some 239 companies certified, but many of these companies do not yet have a deal on the books, so there is considerable timelag and I would guess by that fiscal 1984, the program will really be taking off.

We think, in short, that the $150 million for next year will perhaps be lean, but adequate.

Mr. LAFALCE. I am looking in your testimony, Jim, for the various phases that you delineated, if you could help me find it? Does OMB give quotas to the SBA? Does SBA give quotas to the regional offices and field offices regarding the number of loans that should be approved under the 503 program on a quarter-by-quarter basis?

Mr. SANDERS. We do not give quotas, Mr. Chairman. What we do is apportionment——

Mr. LAFALCE. Maybe I shouldn't use the word "quotas."

Mr. HOLLOWAY. We take the apportionment from OMB and we divide it up among the 10 regions who, in turn, divide it among their district offices.

Mr. LAFALCE. So that a district office might well use that as a quota as opposed to an apportionment.

Mr. HOLLOWAY. We can address that at any time.

Mr. SANDERS. Let me interrupt for a moment.

Mr. LAFALCE. My question is, if you apportion it among the district offices, each office might say, "Well, OK, I've got a quarter of a million dollars apportioned, and all together this is going to reach your total." But one district office will have no deals pending; another district office might have half a dozen deals pending, and it too is going to have that same quarter of a million dollar apportionment. I am just curious if this might be the reality.

Mr. SANDERS. Let me answer it this way. As I have said, the 503 program is the most important and the best innovation that has come down the pike in a long time, and I want to push forward on this. Each Regional Administrator of the Agency is also supportive of this program in promoting it. It is my opinion that if we had a situation as you described where somebody was generating a lot of activity for some peculiar reason, that we would make the adjustment and give them the funds, taking these funds from other regions up to the point where we won't be running out. We don't want to interfere with the ability of those people who might have something in the works down the line 3 or 4 months.

Mr. LAFALCE. But, Jim, couldn't you do this: If you were authorized $250 million and the administration cut that down to $150 million, if you only use $80 million and you only expect a 50-percent increase, which would bring it to $120 million, that would still be considerably under the $150 million. Couldn't you simply say to all of your regional offices and all your district offices, "We are not going to give you any apportionment. You will have a total of $150 million. First-come, first-served. We only used up $80 million, and we don't expect that it will be more than $120 million. We've got $150 million, and let's see what happens."

Mr. SANDERS. Well, I think we are talking the same language. I have told them—the Regional Administrators, I'm speaking of—that we really want to move out on this particular program.

Mr. LAFALCE. Why don't you try something like that? I'm fearful that quarterly apportionment by region, by district, by field office, is going to or has had a stultifying effect.

Mr. SANDERS. You think it has? I don't have any evidence that it has, but I would be concerned. Do you think that this has been an inhibiting factor——

Mr. HOLLOWAY. I can appreciate the chairman's point but we really have—not only in telephone calls and meetings with the Regional Administrators—but we have stressed in this program particularly that we have the money. We can easily with a stroke of the pen on a given day move it from region to region. I'm sure by fiscal 1983 we will be having to do that.

Mr LAFALCE. Maybe I'm off base. Let me just briefly ask the two gentlemen here. Mr. Sower, executive vice president of NADCO, what are your thoughts on that?

Mr. SOWER. I haven't heard of any problem on that under the 503 program. Years ago, under the 502 program which was a much smaller program, of course, that was a problem.

I would certainly agree in concept that if I were a district director in wherever, and I had in my mind a number like $250,000 or whatever, the last thing I would do would be to market for projects that would lead to loan demand in excess of that because then I would have frustrated people in my district and problems, and so forth.

Mr. LAFALCE. Is there anybody else here who would like to testify on that issue, who previously testified today?

Mr. SANDERS. Mr. Chairman, let me just interject that our apportionment doesn't go beyond the region.

Mr. LAFALCE. It's only a regional basis?

Mr. SANDERS. Yes.

Mr. LAFALCE. All right, let's go on. I have received some complaints from LDC's to the effect that SBA is not effectively—or even at all in some instances—communicating information regarding policy changes to the LDC's. It's alleged that what happens is that an application is kicked back by SBA as not complying with the new policies, but the LDC's simply did not know about the new policies. Some LDC's have recommended a regular quarterly or preferably semiannual memo advising of policy changes. Do you have any comments on that?

Mr. SANDERS. All the CDC's are furnished the SOP's that we have. Didn't I see recently that we had a request for a publication?

Mr. HOLLOWAY. Yes, sir, you did.

Mr. SANDERS. All CDC's?

Mr. HOLLOWAY. All CDC's.

Mr. SANDERS. To keep them abreast of the current status of the 503 program?

Mr. HOLLOWAY. Yes.

Mr. LAFALCE. How many changes might you have had in the past year, for example?

Mr. HOLLOWAY. Mr. Chairman, there was one major SOP change that was perhaps 25 or 30 pages of changes made at one time, and our SOP was updated. That's the way our information is distributed, not only to our field offices but to the CDC's.

Mr. LAFALCE. You mean you only had one change?

Mr. HOLLOWAY. One major change involved a substantial number of individual changes.

Mr. LAFALCE. All right, but how many times did you make changes other than on that one occasion?

Mr. HOLLOWAY. There was only one.

Mr. LAFALCE. Just one?

Mr. HOLLOWAY. Just one.

Mr. LAFALCE. We've also received some complaints concerning SBA's response time in situations where additional information or documentation was needed, and when final decisions are awaited. According to SBA's procedures, the agency has 3 working days to respond to an application where additional information or documentation is needed. In reality, some LDC's report that it is taking more like 2 weeks. Moreover, once a complete application is sub-

mitted, SBA has 15 working days to make a final decision as per its own operating procedures.

In reality, some LDC's report that this is taking more like 5 to 7 weeks, and the LDC's attribute these delays to lack of adequate staffing. These delays in processing along with the mentioned lack of communicating policy changes discourage private financial participation. Any comments?

Mr. SANDERS. Well, again, I would like for Mr. Holloway to comment on the paperflow.

Mr. LAFALCE. I should ask, too, for Mr. Holloway's full name and position?

Mr. HOLLOWAY. Yes, sir, I am Edwin Holloway, Associate Administrator for Finance and Investment.

With respect to timing, of course, there are two issues. One is the issue with respect to how long does it take to get the certified development company itself certified, and the other relates to how long does it take to get an SBA office to react to an application on an individual application.

We really have no 3-day requirement with respect to the certifying of the companies. We do have the goal to try to turn around requests in the field office based on an individual loan application. Staffing, of course, is unquestionably an issue for us in the Federal Government now, and we are having to prioritize. We have been trying to find ways to do more with less. We are trying to accomplish a lot of that through delegation to the private sector such as this 503 program is a fine example of doing more with less: certifying these companies and have them do the work and interface with the small business.

I can only say, Mr. Chairman, that this program is one of Mr. Sander's written priorities to his Regional Administrators. We are doing everything we can to give it the priority it deserves. We are enthusiastic about carrying out this program in an effective way.

Mr. LAFALCE. We've also received some complaints that SBA has, in given cases, been requiring many more personal financial statements than are necessary. Individuals who have no share in the company, but who hold management positions have been requested to file personal financial statements with SBA for 503 loans. Do you have any knowledge of this? Is there any requirement that individuals in management positions file personal financial statements?

Mr. HOLLOWAY. Mr. Chairman, I am advised by the director of the 503 program, Mr. Foren, that we are requiring those financial statements from the owners of the small business concern as part of evaluating the credit.

Mr. LAFALCE. Well, I understand the requirement of owners, but what about management positions as opposed to owners?

Mr. HOLLOWAY. Ordinarily, if it is less than 20-percent ownership, we would not require a financial statement.

Mr. LAFALCE. Is this part of your regs?

Mr. HOLLOWAY. It would be in the SOP.

Mr. LAFALCE. Standard operating procedures.

I think this has been a fine hearing, and I feel we all agree that the 503 program has the potential to be one of the best programs serving the needs of the small business community, the needs of

job creation, and the needs of economic development in the United States. I think we would all like to see it developed, nurtured and expanded tremendously. I look forward to working with NADCO, NADO, and especially with the Small Business Administration to bring that about.

With that and with the ringing of the second bells, the subcommittee will adjourn. Thank you very much.

[Whereupon, at 11:51 a.m., the subcommittee adjourned, to reconvene subject to call of the Chair.]

APPENDIX A

QUESTIONS OF CHAIRMAN LAFALCE TO HON. JAMES C. SANDERS, ADMINISTRATOR, SMALL BUSINESS ADMINISTRATION, AND RESPONSES OF MR. SANDERS WITH SUPPLEMENTARY ATTACHMENTS

JOHN J. LAFALCE, N.Y.
CHAIRMAN

ROMANO L. MAZZOLI, KY.
JOSEPH P. ADDABBO, N.Y.
FREDERICK W. RICHMOND, N.Y.
THOMAS A. LUKEN, OHIO
BUDDY ROEMER, LA.

United States House of Representatives
Committee on Small Business
Subcommittee on General Oversight
2361 Rayburn House Office Building
Washington, D.C. 20515

August 2, 1982

J. WILLIAM STANTON, OHIO
CHRISTOPHER H. SMITH, N.J.
ED WEBER, OHIO
DAVID DREIER, CALIF.
OLYMPIA J. SNOWE, MAINE

BRUCE F. FRIED
SUBCOMMITTEE STAFF DIRECTOR
P. ROBERT RIGHEY, JR.
SUBCOMMITTEE COUNSEL
202-225-9321

J. WILLIAM MC GLOON
MINORITY SUBCOMMITTEE
COUNSEL
202-225-3430

Mr. James C. Sanders
Administrator
Small Business Administration
1441 L Street, N.W.
Washington, D. C. 20416

Dear Mr. Sanders:

On behalf of myself and the entire Subcommittee, I want to thank you for your testimony and participation at last Wednesday's oversight hearing on the Small Business Administration's Section 503 Certified Development Company Program. Your testimony and comments were an important contribution to our deliberations.

I also want to commend you for the emphasis you have placed on the Section 503 Program at SBA, as well as the efforts you are making to see that this program operates in an effective and efficient manner. Like you, I am convinced of the important role the Section 503 Program can play in the future growth and prosperity of America's small businesses.

I believe the hearing provided a good perspective on how the Section 503 Program is working and how it might be improved. In that regard, you will recall that several points came up at the hearing on which you agreed to summit Agency comments. I am attaching, therefore, the following documents for your Agency's review and comments:

1.) The Report of the Technical Issues Committee of the National Association of Development Companies (NADCO), dated June 28, 1982; and

2.) A legislative proposal developed by Michael W. Aube, President of the Eastern Maine Development Corporation.

In addition, Mr. Edwin T. Holloway, SBA's Associate Administrator for Finance and Investment who appeared with you at the hearing, offered to supply the Subcommittee with data on the

administrative costs of the Section 503 Program. I would appreciate receiving such information.

I thank you in advance for your time and assistance in this matter, and I look forward to hearing from you.

With warmest regards.

Sincerely,

JOHN J. LaFALCE
Chairman

JJL/br

Enclosures (2)

Attachment C

RECOMMENDATIONS FOR PROCEDURAL CHANGES IN THE 503 PROGRAM

Report of the Technical Issues Committee

National Association of Development Companies
Annual Meeting in Washington, D.C.
June 10-11, 1982

June 28, 1982

REPORT OF THE TECHNICAL ISSUES COMMITTEE

NATIONAL ASSOCIATION OF DEVELOPMENT COMPANIES

ANNUAL MEETING AT WASHINGTON D.C.

JUNE 10-11, 1982

I. INTRODUCTION

The Technical Issues Committee of the National Association of Development Companies consists of the following members:

CHAIRMAN: Scott Berman
Lawrence Avenue Development Corp.
Chicago, Ill.

MEMBER: Jim Baird
Bay Area Employment Development Corp.
Napa, Cal.

MEMBER: Liz Butler
New Orleans Citywide Development Corp.
New Orleans, La.

MEMBER: Lynn Cunningham
Greater Southwest Development Corp.
Chicago, Ill.

MEMBER: Al Emory
St. Paul Citywide Development Corp.
St. Paul, Minn.

MEMBER: Patricia Fening
Columbus Citywide Development Corp.
Columbus, Ohio

MEMBER: David Gontarek
St. Paul Citywide Development Corp.
St. Paul, Minn.

MEMBER: Art Goodman
San Diego County LDC
San Diego, Cal.

MEMBER: Kelly Harris
Provo Development Corp.
Provo, Utah

MEMBER: Tom Hoover
Columbus Citywide Development Corp.
Columbus, Ohio

MEMBER: David Main
Dayton Citywide Development Corp.
Dayton, Ohio

MEMBER: Judith McGough
Allentown Economic Development Corp.
Allentown, Penn.

MEMBER: Joe McGraw
Scioto Economic Development Corp.
Portsmouth, Ohio

The Committee on behalf of the Board and the membership requests SBA consideration of the changes recommended herein in order to improve the operating capability and effectiveness of the SBA 503 Development Company Program.

II. ALTER-EGO

The present alter-ego rule excludes many viable businesses and projects which meet the intent of the 503 program, but which are declared ineligible based on technical non-compliance. SOP 50-22 Chapter 4, Paragraph 15 (a)(iv), (page 28 of the SOP) requires:

> "the ownership interests in the applicant (alter-ego) shall be completely identical with and in the same proportion as the ownership interests in such small business concern, and the identity of interests shall remain unchanged until the loan is repaid in full or SBA sooner gives approval to a change."

This rule disallows alter-egos who for any reason have slightly differing SBC stock ownership and real estate ownership compositions. Some companies reward their young and promising managers with stock or partnership interests in the company without giving them a share in real estate (or vice versa). SBCs who are second or third generation businesses often pass SBC stock ownership to those heirs who operate the business and real estate ownership to a broader group of heirs. The result is to have slightly different SBC and alter-ego entities, both of whom are fully controlled by the principals of the SBC.

SOP 50-22 Chapter 4, Paragraph 15 (a)(iii), (page 28 of the SOP) requires:

> "The proceeds of the loan to be used to benefit directly such applicant (alter-ego) will be used only to acquire or improve real or personal property for the exclusive use of such SBC."

This provision prohibits the SBA from assisting any alter-ego which is acquiring an existing building some of which may be leased out because it is not suitable for the SBC's needs (e.g. the second floor of a retail SBC, etc.).

The Technical Issues Committee requests that both provisions be deleted and replaced with a provision similar to the following:

> "The controlling interest of the alter-ego should be held by the same principals who maintain the controlling interest in the SBC, but such ownership interests need not be identical nor in the same proportion. The test for eligibility will be one of benefit inuring to the alter-ego. So long as the rental income from the project to the alter-ego entity does not exceed an amount sufficient to amortize debt service, and to pay property taxes, insurance, normal maintenance and management costs associated with property ownership, an alter-ego substantially controlled by the principals of the SBC will be considered an eligible borrower. Cross guarantees and the joint signatures of both the SBC and the alter-ego on the note will adequately secure the SBA."

Attached in Exhibit A are several examples of projects which have failed to comply with the SBA alter-ego rule.

III. "ADVERSE CHANGE" CERTIFICATION BY INTERIM LENDER

SOP 50-22, Chapter 6, Paragraph 25(a), (page 37-38 of the SOPs) requires:

> "The authorization should contain the following provision: Interim financing for total construction is to be provided by (Lender) and prior to issuance of the debenture, CDC and SBA must be satisfied that construction has been completed in accordance with final plans and specifications, that no unpaid labor or material liens exist, that construction costs have not exceeded ($) project cost, that there exists a small business concern with the ability to repay its obligation to the CDC, and that such concern has not suffered a material adverse change since the date of this authorization".

This provision has been interpreted in SBA Field Offices that the Interim lender must make these certifications. The Architects Certification of Substantial Completion will certify that the project has been completed in accordance with the final plans and specifications. Title insurance will protect the SBA from unpaid labor or mechanics liens, and the SBC's attorney may certify that the project cost has not exceeded the authorized level or that additional equity has been provided to cover any increases. The existence of an SBC with the ability to repay its obligations is a credit question, not a legal question for an interim lender. The "adverse change" certification should be made by the SBC's attorney. The Technical Issues Committee recommends that the entire provisions be deleted.

IV. SOURCE OF INTERIM FINANCING

SOP 50-22, Chapter 6, Paragraph 25(b), page 38 of the SOPs, requires that "sources of interim financing shall be limited to regulated lending institutions." This provision may substantially increase the cost of the project to the borrower because it prevents lower cost interim financing from being used in the project. Some CDC's have access to "CD float" or EDA Title IX Revolving Loan funds, and some SBC's may be able to squeeze some cash out of operations for a short period of time. This cash probably will be needed for working capital once the project is completed and inventory stocking begins or growth in sales occurs as a result of the plant expansion. Prohibiting these two legimate sources of interim

financing injures the SBC. The SBA may adequately protect itself by requiring a Title Insurance Company to monitor construction advances. The Technical Issues Committee recommends this provision be deleted.

V. INTERIM FINANCING ON MACHINERY AND EQUIPMENT

SOP 50-22 Chapter 6, Paragraph 25(c), page 38 of the SOPs, permits sale of a debenture without an interim lender's loan if "the project cost consists only of the purchase of an existing facility." In addition to this provision, a debenture sale should be permitted in those situations in which construction has been completed and the only remaining use of funds before the project is fully completed involves the acquisition of machinery and equipment, the cost of which is small in relation to total project cost (say 15-20% of total project cost). In such cases, the interim lender should be required only until construction is completed after which time the debenture may be sold. The debenture proceeds earmarked for machinery and equipment should be deposited into an escrow account at a regulated financial institution. Any balance remaining in the escrow account after the acquisition of the machinery and equipment may be refunded to the SBC so long as the remittance does not exceed 2% of the debenture proceeds. Any amount remaining in escrow in excess of 2% should be recaptured as an addition to the Reserve Account held by the CFA. The Technical Issues Committee recommends the adoption of such a provision.

VI. TEN YEAR MACHINERY AND EQUIPMENT DEBENTURE

Job creation and business expansion includes projects which consists solely of machinery and equipment acquisition. For projects which involve only machinery and equipment, a 10 year 503 debenture is needed to make the CDC program effective. In situations involving only M&E, the SBA should permit the first mortgage lender's loan to be seven years (instead of the normal 10 year minimum). The Technical Issues Committee recommends the adoption of a 10 year machinery and equipment Debenture with a 7 year First Mortgage clause. The 10 and 7 year provisions should exist on M&E projects only.

VII. PRIVATE LENDER DEFINITION AND RESTRICTIONS

The definition of a private lender includes legitimate real estate mortgage financing companies who are major sources of credit for SBCs. The restrictions placed upon the private lender in the SOP 50-22, Paragraph 20b, page 31.3, require that "the private lender not have a pecuniary interest in, or relationship to, the SBC receiving assistance, i.e., the owners, associates, or relatives to the SBC may not provide the first mortgage non-federal source of financing." Such a restriction insures a legitimate "arm's length transaction" between lender and borrower and is fully supported by the Technical Issues Committee. Once the arm's length transaction is established, however, the other onerous restrictions on the private lenders are unnecessary and the restrictions imposed on the regulated lender and private lender should be identical. Specifically, mortgage finance companies should be permitted the same rate (prime + 2 3/4%), maturity (10 year minimum with prepayment permitted at the borrower's option), and collateral (senior to SBA) as those afforded the regulated lenders. These changes will permit mortgage finance companies to participate in 503 more fully while simplifying the program operationally. The Technical Issues Committee recommends strict adherence to the "arms" length transaction" rule for private

lenders while making the restrictions on regulated lenders and private lenders uniform.

VIII. TAXABLE EARNINGS ON THE RESERVE AND ESCROW ACCOUNTS

Because of the IRS ruling that interest on the Reserve and Escrow Accounts is taxable in the year in which it is earned, the Technical Issues Committee recommends that the earnings be refunded to the SBC on an annual basis. Should the IRS reverse its ruling, the earnings nevertheless should be refunded periodically (say every three years) because a refund of 50% or more at maturity is unnecessary and embarrassing to the Agency.

IX. CLARIFICATION OF "IN ANTICIPATION OF"

Confusion persists in the SBA Field Offices regarding what constitutes an eligible project cost if any funds have been expended prior to SBA approval of the project. SOP 50-22 Chapter 6, Paragraph 26 f(3) (page 42.1 of the SOPs) permits:

> "Repayment of bonafide, short-term interim financing when the proceeds of such interim financing were actually used for plant construction, conversion and the like and had SBA approval in writing. SBA shall be permitted to take-out short-term interim financing, provided the loan application is approved, if such financing had been in place no more than 180 days from the date the CDC receives written approval from the SBA."

The above paragraph is seemingly generous, but it has been operationally difficult to implement. Some field offices interpret the paragraph to mean that the "written approval" is in fact the authorization. Other SBA offices refuse to issue written approval letters because District Counsel believes that a written approval constitutes a guarantee by the SBA to fund the project regardless of any disclaimers to the contrary.

The substantive problem with the paragraph, however, lies in the manner in which SBC's pursue expansion. After thinking about expansion for a period of time, the entrepreneur impatiently moves ahead with the project. He/she may contract to purchase real estate, purchase M&E at auction, etc. Only after he/she has a better understanding of the total project cost does he/she seek out financing. Paragraph 26 f(4) does not permit the inclusion of these "normal" ways of pursuing expansion. Because neither the bank nor the CDC were privy to the expansion before it was commenced, all elements of project cost incurred by the entrepreneur are ineligible because it was not financed by a short-term lender and was not pre-approved by the SBA in writing. This paragraph obviously violates the spirit of 503. The SOPs need to permit specific flexibility and judgement on the part of the Loan Officer to include as a part of project cost those funds expended by the entrepreneur in anticipation of the overall project even though a short-term lender has not financed them nor were they approved in advance by the SBA.

The Technical Issues Committee recommends that language similar to the following be adopted for the SOP: "Loan Officers may include in eligible project costs, funds which were expended by the SBC up to 180 days prior to the

submission of a 503 application to the SBA provided the use of such funds can be verified as being an integral part of the project."

X. LIMITATION ON REFINANCING PROVISIONS

SOP 50-22 Chapter 6, Paragraph 26 f(4), page 42.1 of the SOPs, permits:

> "Debt consolidation may be permitted provided that the amount of funds used for such purpose is no more than 10% of the debenture proceeds."

This provision places an artificial limit which does not serve the best interests of the SBA, the SBC, the CDC or the First Mortgage Lender. The Technical Issues Committee is in complete accord with the intent of this provision, but believes the language regarding refinance in the SOP 50-22 dated Setember 1981 is preferable to the existing provision. The Technical Issues Committee recommends reverting back to the September 1981 SOP 50-22 provision regarding refinancing.

XI. LEASABLE SPACE IN NEW CONSTRUCTION

SOP 50-22, Chapter 6, Paragraph 26 (d), page 41, requires:

> "Debenture proceeds may be used for the construction of commercial rental space only under the following conditions: Commercial rental space, up to 15% of the total space is permitted when (a) reasonable projections of growth indicate the SBC will need additional space in the reasonably near future and (b) due to the nature of construction, it is not feasible to build an addition to the building in the future."

This provision, in effect requires the SBC to be at 85% of full capacity on the day on which the new building's doors are opened. This will force the SBC to undergo numerous small expansions which are prohibitively expensive. In addition, the 85% rule appears cumbersome and arbitrary when compared to the 51% rule for acquisitions of existing buildings. Operationally, the program will seem less bureaucratic and the SBC will be allowed to undergo fewer moves and/or expansions if new buildings are subjected to the same rule as existing buildings. The Technical Issues Committee recommends that use of 503 funds be permitted in new construction projects so long as the SBC occupies 51% of the space.

In addition, the 85% rule has been interpreted in the field to mean a prohibition of SBA 503 assistance in projects involving an addition to an existing building in which the SBC has leased more than 15% of the buildng area to third parties. For example, the Denver SBA field offices believe an expansion to a two-story structure whose first floor is occupied by the owner-user SBC and whose second floor is unusable as retail space (and consequently leased out to others) is ineligible for SBA assistance even if 100% of the expansion is to be utilized by the SBC.

XII. ISSUES REGARDING FEES

1. ATTORNEY FEES

There appears to be confusion regarding a potential conflict between SBA Regulations and the SOPs. SBA Auditors have stated in several audits that the Regulations require the CDC attorney's fee to be paid out of the 1½% processing fee. Since the Regulations supercede the SOPs, the auditors are finding the CDCs who pass on the attorney's fee to the SBC to be in violation of the Regulations. This issue needs to be resolved quickly. No CDC can survive if 1/2 to 2/3 of its income is expended for attorneys' fees.

2. 502 FEES

A CDC who packages a 502 loan presently is not permitted to receive similar compensation for providing a service similar to a 503 loan. The Technical Issues Committee urges the SBA to permit a similar fee structure for both 502 and 503 loans.

3. UPFRONT DEPOSIT FEES

Most CDCs require an applicant SBC to make an application deposit (less than the 1½% processing fee) prior to packaging the loan. The deposit is to cover out of pocket expenses incurred in packaging the application and insures that the SBC will not walk from a commitment for financing after the SBA writes an Authorization. Typically if a loan is not approved, the deposit is refunded. Some SBA Field Offices prohibit such deposits which are typical in the private sector. If an SBC walks from a commitment without having to lose its deposit, the CDC will have expended a considerable sum of money to package the loan which will require packaging several more projects to reach break even. The Technical Issues Committee recommends SBA approval of languge permitting an application deposit similar to that found in Exhibit B.

XIII. ISSUES REGARDING CERTIFICATION

1. GEOGRAPHIC AREAS

Some SBA Field Offices are designating minimum geographic areas for a CDC and discouraging the formation of CDCs who have less than a regional base on the theory that at some point in time a Regional or Statewide CDC will be formed. In reality, a CDC should be free to select its own boundaries based upon its priority and ability to service an area.

2. MEMBERSHIP REQUIREMENTS

Some SBA Field Offices are requiring minimum membership which far exceeds the SOPs requirement of 25 members. For example, some Field Offices require one member per county. In large states with many counties (e.g., Georgia) a near Statewide CDC would have a membership in excess of 100. In reality, the CDC should be permitted to determine its own membership selection requirements so long as it meets SOP guidelines (i.e., 25 members).

3. PRIVATE SECTOR LEADERSHIP

Some SBA Field Offices are discouraging private sector lenders leadership in the CDC based upon a notion of conflict of interest. In reality, strong private sector lender leadership will enhance the quality of deals submitted to the SBA.

4. ELECTION OF THE BOARD

SOP 50-22, Paragraph 8(b) requires:

> "The CDC's board of directors and officers must be elected by the membership/stockholders and not appointed to their respective positions".

This provision will prohibit CDCs from being formed with strong public sector leadership. Mayors and Governors who organize CDCs to serve the public interest should be permitted the authority and priviledge to appoint the Board and Officers. Strong CDCs whose leadership depends on public sector support will suffer.

5. CAPITALIZATION

Rumors continue to persist in the field that a CDC may be required to provide its own capitalization. In reality, most successful CDCs exist on shoe-string budgets with no surplus capitalization. Public sector related CDCs cannot raise capital from (say) City Council in excess of the current year's budget because the council cannot encumber tax revenues it has not yet received. Purely private sector CDCs provide the staff by having another entity (e.g. a Chamber of Commerce) cover the staff costs. Requiring capitalization will be the death knell for most successful CDCs.

XIV. FINANCING RELATED ISSUES

1. SINGLE PURPOSE BUILDINGS

SOP 50-22 Chapter 1, Paragraph 2 notes that assistance is not intended for:

> "To finance construction or purchase of buildings designed to be used only for a single purpose."

SBA Field Offices are interpreting this provision in a variety of ways. Some offices believe that any building short of a rectangular, block building suitable only for warehousing is special purpose (e.g., restaurants are considered special purpose in some Districts). The provision ignores the fact that a special use building may have many alternative users in the same building. Many users of "special use" buildings are excellent credit risks and make fine 503 projects. Good credit risks users should not be discriminated against on the basis of collateral risk especially if the likelihood of finding a replacement tenant is high. The Tech[illegible] Issues Committee recommends that the issue of special use either b[illegible]d or reworded recognizing that special use is a credit decision. ... policy decision.

2. MOTELS AND OFFICE CONDOS

Some SBA offices are prohibiting the use of 503 funds for motels on the grounds that they are excessively high risk. To the contrary, motels can be highly successful businesses and clarification to the field should be made. The SOP 50-22 Chapter 1, Paragraph 2 notes that 503 is not intended for use in office condos where the job impact is insignificant. The Technical Issues Committee supports the intent of the provision but emphasis must be made to permit 503 office condominium financing where the economic impact standard is met. Much of America, especially in urban areas, is becoming service oriented. The latests DOL statistics indicate that for the first time in America's history, jobs in the service sector exceed jobs in the production/manufacturing sector. The service sector needs offices, not factories. Condominium office space typically is the wisest course of investment for a successful small business in much the same way home ownership is the wise course of investment for the American family.

3. TURN DOWN LETTERS

Some SBA Field Offices are not following the SOP 50-22, Chapter 5, Paragraph 19 (page 30 of the SOPs) which requires:

> "Application for financial assistance will not be accepted for processing and no assistance may be extended unless the CDC can demonstrate to the satisfaction of SBA that the desired financing is not available from non-federal sources on reasonable terms. Such evidence shall include a written notification from the first mortgage lender and the SBC's bank of account stating that such financing is not available to the SBC at the interest rate and terms prevalent in that community."

SBA Field Offices require a CDC to obtain two declination letters in addition to the first mortgage lenders commitment letter. Often, the lender must decline the loan on a 7(a) guarantee basis. The Technical Issues Committee recommends that Central Office reemphasize that the intent of 503 is to finance successful businesses who cannot obtain long-term fixed asset financing, not businesses which are unable to obtain credit. The paragraph is sufficient as written; Central Office need only issue a clarification of the requirement.

4. ASSUMPTION OF A 503 LOAN

Nowhere in the SOP is the assumption of an existing 503 loan by an eligible SBC mentioned. With the prepayment penalty provision potentially causing widespread injury, the SOPs should permit an eligible SBC to assume an existing 503 loan should one SBC sell the real estate to another eligible SBC. This provision will make the property more marketable. The Technical Issues Committee recommends the adoption of such a provision.

5. CHANGE IN OWNERSHIP OF SBC

The Authorization and Debenture Guarantee contains the boiler plate language in item 1(e) that:

> "An agreement executed between the SBC being assisted and the CDC, providing that any and all outstanding obligations may be accelerated and payments called for by CDC and SBA if the SBC during the term of this loan effects change in ownership or control of the business without prior written consent of the SBA."

The Technical Issues Committee supports the intent of the provision. We do recommend, however, the following addition, as comfort to the SBCs who are incurring an obligation which will not mature for 15-25 years: "Such prior written consent will not be unreasonably withheld so long as the resulting ownership entities meet the SBA's definition of an SBC and satisfy the SBA's credit requirements."

6. FINANCING BOTH M&E AND REAL ESTATE ASSETS

Confusion in the field exists over what M&E may be included in a 503 project. Some SBA Field Offices permit only M&E which has a life of 15 years or more. Others permit the weighted average life of the assets in projects including both M&E and real estate. The Technical Issues Committee recommends that SOP 50-22. Paragraph 26(e) be expanded to include a single paragraph permitting the use of the weighted average useful life of the assets concept in projects including both M&E and real estate assets. The weighted average useful life of the assets minimally must equal 15 years.

7. EQUITY BUILD-UP IN A BUILIDING

In projects involving renovation to existing buildings already owned by the SBC, the question always arises regarding the use of the equity build-up for the 10% local injection. The SBC, in reality, has invested considerable amount of cash into a project in the process of paying down the existing mortgage. The Technical Issues Committee recommends that a sub-paragraph be added to SOP 50-22, Paragraph 26(c) permitting the use of equity in an existing buliidng as the local injection subject to the following conditions:

1. The equity can cover the 10% injection only. The SBC cannot fund out its equity and receive any refund.

2. The provision applies only to equity in real estate, not equity in various pieces of M&E.

3. The equity build-up will be calculated as follows:

Equity Build-up = Cost of Building - Outstanding Mortage

This definition by using cost rather than appraised value requires actual cash to have been injected.

4. The equity build-up must be supported by the appraisal (i.e., the appraised value must equal or exceed the original cost). To the extent that the appraised value is less than the original cost, the equity build-up will be diminshed, dollar for dollar.

8. PERSONAL NET WORTH IN 502 PROJECTS

Many SBA Field Offices require the principals of the SBC to meet the 7(a) personal net worth restrictions in 502 projects rather than 503 personal net worth restrictions. The Technical Issues Committee recommends the SBA Central Office issue a clarification permitting the 503 personal net worth test to be applied to 502 projects.

9. 10 YEAR BALLOON PAYMENTS

Many SBA Field Offices ignore the provision permitting ballon payment mortgages from regulated first mortgage lenders unless the lender commits to refinance the mortgage at the end of the tenth year. The reality in the market in the Northeast and Midwest is that no lenders (even the so-called long-term lender insurance companies) are providing mortgages in excess of 10 years. The alternative is to require the first mortgage lender to self-amortize the 10 year mortgage which only increases the debt service burden on the SBC and the risk to the SBA during the early project period. By year 10, equity has been built-up in the building, prices of the real estate have probably appreciated, SBC sales will have increased, and the relative burden of the loan on the borrower will have decreased. The risk lies not in the balloon; the risk lies in the excessive debt service if the balloon is not permitted. The Technical Issues Committee requests SBA Central Office to issue a clarifying memo to the field.

10. RATE RESTRICTIONS

Several 503 first mortgage lenders do not use New York Prime as the basis of their rate calculations. The Technical Issues Committee requests the SBA permit alternative definitions of rate calculations including local prime (if published locally) and LIBOR (the London Interbank Rate).

11. FORWARD COMMITMENT

SBA policy discourages 502 guarantees or 503 debentures as forward commitments in projects being constructed by property developers even when the commitments are contingent up on identification of a qualified SBC and the approval of the loan by the SBA. Professional developers

of industrial parks can relieve SBCs of much of the risk and expense of purchasing or constructing property. In order to proceed, they need to know that SBA 502/503 financing is available to qualified and credit worthy SBCs. The Technical Issues recommends that SBA policy permit formal commitments with appropriate contingencies safeguarding the SBA.

XV. ISSUES RELATED TO SERVICING, REPAYMENT AND REPORTING

1. PM SERVICING REQUIREMENTS

SOP 50-22, Chapter 5, Paragraph 20 a(c)(7) requires:

> "The Lender (PM Lender) must demonstrate to the satisfaction of SBA that the loan will be adequately serviced."

The PM lender is not a financial institution and the requirement that it act in a capacity similar to a financial institution is unrealistic. The CDC will have to service the PM projects more closely. The Technical Issues Committee recommends that this restriction be deleted.

2. PREPAYMENT PENALTIES

The potential problems with prepayment penalties are enormous. SBCs who prepay debentures may be forced out of business. The Technical Issues Committee recommends that elimination of the prepayment penalty be investigated. Two possible solutions include: 1) not allowing prepayment discount windfalls (in rising rate environments) to accrue to SBCs and using the discounts to fund out premiums in falling rate environments, 2) allowing SBA to charge a 1% up front fee to be used to establish a prepayment pool from which any prepayment penalties would be paid. The SBC could be permitted to elect to incur the 1% fee in exchange for relief from the prepayment penalty burden.

3. CDC SERVICING REQUIREMENTS

The SBA has no policy concerning the CDC's servicing obligations. The Technical Issues Committee requests to convene with the SBA Central Office to establish reasonable and uniform servicing requirements for CDCs.

4. CDC REPORTING REQUIREMENTS

SOP 50-22, Chapter 2, Paragraph 9(a) (1), (2), (3) (page 17 of the SOPs) require the CDC's Operating Report to include:

- Summaries of meetings in which a change in membership, Articles, and/or By-Laws occur
- The date and location of all CDC Board meetings

- o A discussion on actions taken on loan application and proposed projects.

This information is contained in the minutes of the meeting which will be available to the Auditors at all Audits. The Technical Issues Committee recommends that the Audit Review replace the Operating Report requirement.

XVI. MISCELLANEOUS ISSUES

1. PRIVATE SECTOR ADVISORY GROUP

Presently, no one in the SBA 503 Central Office has a Private Sector Advisory Group to work with in thinking through proposed changes and improvements in the 503 program. The Technical Issues Committee recommends that Central Office form an ad-hoc advisory committee consisting of Central Office, SBA Field Offices, NADCO aand others to provide on going dialogue on proposed changes in the SOPs.

2. REGULATIONS VS. SOPS

SBA Auditors make references to conflict between the SOPs and the Code of Federal Regulations. The result is causing much uncertainty in the Field, within both SBA Field Offices and within CDCs. The Technical Issues Committee requests Central Office to review the consistency of the regulations and the SOPs and to make corrections as necessary.

EASTERN MAINE DEVELOPMENT CORPORATION
10 FRANKLIN STREET
BANGOR, ME 04401
(207) 942-6389

PROPOSED LEGISLATION FOR IMPROVEMENTS
TO THE
SBA 503 PROGRAM

The SBA's Section 503 Certified Development Company (CDC) Loan Program is one of the most exciting loan programs to be developed for the 1980's. It is the first federal financing tool which recognizes the importance of small and medium sized businesses in the job creation process through physical expansions. The SBA has made CDC's a major partner in sharing responsibility for loan origination, packaging, closing, monitoring and servicing. To this end, the 503 Program has been highly successful, however, over the long run CDC's will need even greater flexibility in providing a complete public/private partnership in economic development finance.

Eligibility for participating in the proposed new program should be as follows:

1) The CDC must be a Certified Development Corporation who administers the SBA 503 Loan Program;
2) Be a non-profit organization;
3) Have proven staff capabilities for packaging financial loans and providing small business management assistance; and
4) Rural CDC's must be capitalized by at least $500,000, metropolitan CDC's by $1 million, and urban CDC's by $1.5 million in order to become eligible to participate in the new Program.

The proposed legislation is designed to provide CDC's with two additional development finance tools. First, designated 503 CDC's would be allowed to sell up to 200% of their vested capital in debentures to the Federal Financing Bank without going to SBA on every loan application for guarantee authorization. Not only will this program provide quicker processing time and less paperwork in structuring an SBA loan package, but it will also allow those CDC's who have gained the respect of the lending community the flexibility needed to effectively approve projects at the local level.

A second aspect of the proposed legislation will address the need for "equity capital" for undercapitalized business ventures with high debt to equity ratios. This part of the program will be initiated as a pilot project whereby twenty-five CDC's nationwide with a proven track record will participate. Selected CDC's would be loaned $1 million from SBA to invest in SBC's in the form of stock thereby providing the small business concern with the equity capital necessary to secure additional financing for growth resulting in increased employment opportunities. The existing 503 Program only provides for long-term debt financing, however many small businesses with a high growth rate and profit potential lack the equity capital needed to expand.

A benefit of this program is that CDC's will now have a vested interest in the management and growth success of a potential business development or expansion. As the small business expands and becomes more secure, the CDC will sell back its stock to the business and invest into other similar business ventures. So long as these funds are

reinvested within a reasonable period of time, the CDC will not be required to make payments to SBA on the original loan amount. Although we have no specific proposal, we highly recommend that the legislation set limits on the amount invested by the CDC in a particular small business concern.

In addition, certain eligibility requirements must be met before the CDC can invest into a business venture:

1) The CDC must determine that the SBC has been unable to secure capital from private sources;
2) The investment must be in the interest of maintaining or creating jobs; and
3) The CDC will be limited to a 25% ownership of the business.

It should be made clear that the proposed changes will not preclude a CDC from administering the current "503" Program. This added flexibility will establish a more effective and complete economic development financing system and allow the increasingly respected CDC's a vehicle to create even a stronger public/private relationship.

APPENDIX B

SBA

U.S. Small Business Administration Washington, DC 20416

OCT 6

Honorable John J. LaFalce
Chairman
Subcommittee on General Oversight
Committee on Small Business
House of Representatives
Washington, D. C. 20515

Dear Congressman LaFalce:

Thank you for your letter of August 2, 1982, in which you forwarded to the Small Business Administration a copy of the "Report of the Technical Issues Committee of the National Association of Development Companies (NADCO)," and a copy of a legislative proposal developed by Michael W. Aube, President of the Eastern Maine Development Corporation, for our review.

The Administrator requested that I have our Certified Development Company staff review very carefully the recommendations raised by NADCO during the Section 503 hearing on July 28. Enclosed you will find our response.

There are still two items which will require further handling. First, Mr. Aube's testimony addressing the need for "equity capital" will require further study. We will provide additional comments on this subject within 60 days. Second, data on the cost of the 503 program is being developed. When it becomes available we will be pleased to furnish you with copies.

Both the Administrator and I want to thank you for your kind words on our implementation of the Certified Development Company Program. We are trying very hard to make this a program we can all be proud of, and I feel we have come a long way since its inception.

Sincerely,

Robert W. Santy
Director
Office of Congressional and
Legislative Affairs

Enclosure

NADCO ISSUES

Alter-Ego

SBA's "alter ego" policy was first adopted because some small business owners form two legal entities for their business; one entity owns part or all of the fixed assets and the other entity is the operating company. Since the separation of the two entities represents legitimate, sound business practice the SBA allowed loans under this policy even though the business entity (one whose primary business is owning and operating real estate for investment purposes) would be benefited by the loan.

NADCO suggests a change be made to allow different ownership of two concerns and still permit them to qualify under the alter ego concept.

This suggestion included, as the reasons for this change, cases where a persons owns the real estate but owns the operating business in parternship with a son, or where the real estate is owned by the proprietor and a spouse but the operating business is solely owned. SBA has considered having something other than identical ownership of the two businesses but has rejected this approach. One reason for rejecting anything other than identical ownership of two entities is that there is little, if any, chance of any conflict of interest with identical ownership. Also, if the ownership had to be "substantially" the same, or the "majority" of the ownership must be identical, there is the problem of defining these two terms so that all offices will apply the same rule to the same circumstances. There is also the possibility that application of some definition of these terms will result in SBA loans being made to ineligible small businesses.

Although we will reconsider this matter modification or amendment of the current policy on alter ego is doubtful.

Adverse Change

As stated in the Standard Operating Procedural manual for the 503 program, SOP 50 22, "the Comptroller General has indicated that an interim lender's right to reimbursement from SBA depends upon the terms of the loan authorization." In accordance with the statutory requirement that assistance under 503 be made to an identifiable small business concern with a reasonable ability

to repay its obligation to SBA, the following provision was developed for inclusion in the authorization.

> "Interim financing for total construction project cost is to be provided by (Lender) and prior to issuance of the debenture, CDC and SBA must be satisfied that construction has been completed in accordance with final plans and specifications, that no unpaid labor or material liens exist, that construction costs have not exceeded ($_____) project cost, that there exists a small business concern with the ability to repay its obligation to the CDC, and that such concern has not suffered a material adverse change since the date of this Authorization."

The program's statute requires that prior to SBA assisting a small business concern, such concern must have a reasonable assurance of being able to repay its financial obligations to SBA. As a result, this necessitates that SBA, not the first mortgage lender, determine prior to disbursement that no material adverse change has occurred in the financial condition of the small business which would prevent it from fulfilling its financial obligation. Such determinations by SBA are usually made as result of the following conditions.

1. Fraud or misrepresentation by the small business concern in the loan application and financial exhibits submitted to SBA.

2. Bankruptcy of the small business concern.

3. Assignment of the small business concern's assets for the benefit of its creditors.

4. Receivorship of the small business concern imposed by a third party creditor.

5. Forfeiture of the corporate charter of its corporation.

The policy of the 503 program is to provide assistance to healthy, expanding small business concerns that create or retain jobs, or otherwise have a meaningful economic impact in their community. For this reason, the likelihood of material adverse changes occuring in small businesses that receive 503 assistance should seldom if ever occur.

We hope this clarification will enable the Committee to understand the basis for SBA's policy on interim financing. We can assure you that SBA will continue to monitor and review this policy in order to make appropriate adjustments should it be warranted in the future.

Source of Interim Financing

SBA requires that all projects financed by a 503 debenture be fully completed in accordance with the terms and conditions of the authorization prior to the sale of the 503 debenture to the Federal Financing Bank. The CDC uses the authorization issued by SBA to secure interim financing to fund SBA's share of the project during construction. Following completion of the project, the 503 debenture is sold to the FFB for the purpose of taking out SBA's share of the project financing advanced by the interim lender.

Current SBA policy requires that the source of interim financing be provided by a regulated lending institution to ensure that the project is being properly monitored during the construction phase.

We intend to examine other methods of project monitoring. We feel it is essential that the interests of the Agency and the SBC are protected during the construction period.

Interim Financing on Machinery and Equipment

We intend to examine the recommendation by NADCO requesting a modification of SBA policy to permit sale of 503 debentures when project construction is complete and the project is awaiting the delivery and installation of machinery and equipment. We recognize in some instances the delivery of machinery and equipment may be delayed by unforeseen circumstances which

result in increased costs to the small business concern. Although most contacts with our field offices do not indicate a large number of projects affected by this situation, SBA believes it warrants a thorough examination.

Ten Year Machinery and Equipment Debenture

The 503 program is intended to assist projects that have a significant impact on their community. We believe the 15, 20 and 25 year terms provided on 503 debentures are sufficient to assist such projects. We believe such projects can readily be assisted within our 7(a) program; however, we intend to study the recommendations for 10 year debentures.

Private Lender Definition and Restriction

Current SBA policy permits both regulated and non-regulated lenders to provide the non-federal share of 503 projects. For the first time in the development company (502 and 503), sources other than regulated lending institutions are permitted to participate with SBA in financing small business concerns. Since this is a new policy, we intend to review our portfolio of loans with non-regulated lenders to determine the status of such loans. Following such an examination, we would consider appropriate modification if the performance of such loans is consistent with loans financed by regulated lending institutions.

Taxable Earnings on the Reserve and Escrow Accounts

In an opinion rendered by the Internal Revenue Service, IRS has concluded that the interest which is credited to a small business concern's reserve and escrow accounts is includable in the small business concern's gross income for the taxable years in which the interest is so credited. This conclusion is equally applicable to both cash and accrual basis taxpayers. Annually, the Central Fiscal Agent (CFA) will provide the CDCs with the appropriate information on the taxable income for each small business concern in their portfolio.

Pursuant to SOP 50 22, paragraph 51(e), the SBA policy on the reserve and escrow accounts states that the total amount of funds in such accounts shall be maintained for the benefit of

the small business concern by the CFA until the debenture has been satisfied. However, at such time as the total amount of funds in such accounts is equivalent to the outstanding debenture balance (the CFA shall provide the appropriate notification), the small business concern shall have the right to utilize the funds should they decide to prepay the debenture. Any decision to prepay prior to equality between the reserve and escrow accounts and the outstanding debenture balance shall be done so without the application of the funds in the accounts. Following prepayment by the small business concern, the CFA will remit all funds in the accounts to the small business concern.

The IRS opinion on the reserve and escrow accounts is being currently analyzed by SBA to determine its ramification on the investment functions performed for the benefit of the small business concerns. We intend to examine the cumulative impact on the small business concern as a result of the investment function performed by the CFA, the IRS opinion, and the SBA policy on reserve and escrow accounts.

Clarification of "In Anticipation Of"

SOP 50 22 paragraph 26f(3) permits:

Repayment of bonafide, short-term interim financing when the proceeds of such interim financing were actually used for plant construction, conversion and the like and had SBA approval in writing. SBA shall be permitted to take out short term interim finacing, provided the loan application is approved, if such financing had been in place no more than 180 days from the date the CDC receives written approval from SBA.

The policy stated above permits SBA the flexibility to take out "short-term" interim financing provided such financing has not been in place more than 180 days from the date SBA provides the CDC with written notification that it will take out the financing if the loan application is approved by SBA. We intend to study the language proposed by NADCO to determine if their recommendation would clarify the policy established by SBA.

Limitation on Refinancing Provisions

SBA permits debt consolidation provided that the amount used for such purpose is no more than 10% of the debenture proceeds. This policy is intended to apply to situations such as paying off a mortgage on real estate acquired prior to, or during early CDC involvement if, in such instances, clear title is essential to gain a first lien position on the real estate to establish the financial feasibility of the project. We shall study the recommendation by NADCO, however, we believe our current policy is consistent with the intent of the program's statute.

Leaseable Space in New Construction

Chapter 6, paragraph 26(d) of SOP 50 22 permits the following:

Debenture proceeds may be used for the construction of commercial rental space only under the following conditions: Commercial rental space, up to 15 percent of the total space is permitted when (a) reasonable projections of growth indicate the SBC will need additional space in the reasonably near future and (b) due to the nature of construction, it is not feasible to build an addition to the building in the future. The SBC must document in writing, and the CDC must certify, that the business receiving the 503 assistance will expand into the rental space within three years after completion of the building.

The policy identified above recognizes the need for expansion space by SBCs. However, since the statute requires 503 proceeds to be used for a sound business purpose, we believe a large percent of rented space would be used primarily for investment purposes and would violate the program's statutory intent. We intend to examine the issue further to determine if SBCs applying for 503 assistance are in need of more than 15% expansion space in new construction.

Attorney Fees

The policy set forth in the note to paragraph 36(a)(4)(b) of SOP 50 22 states that the legal fees of the CDCs counsel in closing a loan shall be considered part of the project cost and shall be funded out of the debenture proceeds. Such legal fees are not

required to be covered by the CDC's 1.5% processing fees. We shall make the appropriate modifications to the regulations to reflect this policy.

502 Fees

NADCO recommends that the 502 program be provided the same fee structure as the one established by SBA for the 503 program. We shall examine this recommendation to determine its feasibility.

Upfront Deposit Fees

CDCs are entitled to two fees: a processing fee equal to 1 1/2% of the debenture guaranteed by SBA and a monthly servicing of 1/2% on the total outstanding balance of the debenture. Based on our analysis of a CDCs administrative and operating costs, we believe this fee structure should help defer most of the fixed expenses of active CDCs. We are now in the process of examining the time constraints involved in the 503 program to determine if the examples set forth by NADCO are adversely affecting a CDCs ability to operate. Our analysis will weigh the operating expenses of a CDC and the potential for abuses if the fee structure is adjusted.

Geographic Areas

SBA policy does not require a minimum area of operation for CDCs applying for certification. In some instances, an applicant may be encouraged to adopt a broader area of operations to ensure a reasonable level of activity.

Membership Requirements

Part 108.503-1(e) of SBA's regulations requires that a CDCs membership have representation from a government, a lending institution, a community organization and a business organization. The regulations require a minimum of 25 members, and that the CDC be representative of its area of operation. CDCs that operate on a statewide basis must have representation from the economic development agency of the state government. CDCs that operate countywide or are multi-county must have representation that ensures that each county is represented. Regional Planning Commissions or other similar organizations

that represent subdivisions of a state would comply with the governmental representation requirement. The membership of a CDC must comply with the program's regulatory requirement and must ensure adequate representation throughout its area of operation.

Private Sector Leadership

It is the policy of SBA to encourage maximum participation in CDCs from the leadership of both the public and private sector. A recent amendment to Part 108.503-1(c) requires that a CDC's board of directors contain representation from a private sector lending institution.

Election of the Board

SBA intends to require that a CDCs board of directors be elected rather than appointed by its membership. A primary role of members in any corporation is to utilize their vote to elect board members. Without such a right, the members would have little control in the decision or directions taken by a CDC's board of directors.

Capitalization

SBA does not intend to require a CDC to provide a minimum level of capitalization for participation in the 503 program.

Single Purpose Building

SBA intends to clarify the Agency policy with regard to single purpose building.

Motels and Office Condos

The intent of SBA is to utilize the 503 program in a manner that will maximize its impact on labor intensive projects while also providing the flexibility to assist projects that have a significant impact on a community through the delivery of an important service or product. In this regard, the 503 program has a specific focus yet retains the flexibility to adopt to the needs of a particular community. It is the opinion of SBA that

the 503 program was not intended to subsidize or finance the development of office condominimums where there is little or no community impact. For this reason, SBA policy restricts the use of 503 funds where demonstrated community or job impact cannot be adequately justified.

Turn Down Letters

Concerning the availability of other financing, SBA's policy as set forth in paragraph 19 of SOP 50 22 is as follows:

Application for financial assistance will not be accepted for processing and no assistance may be extended unless the CDC can demonstrate to the satisfaction of SBA that the desired financing is not available from non-federal sources on reasonable terms. Such evidence shall include a written notification from the first mortgage lender and the small business concern's bank of account stating that such financing is not available to the small business concern at the interest rate and terms prevalent in that community.

As stated in NADCO's memorandum, we believe that policy as stated is sufficient. We will examine this issue to determine field compliance, and will issue a clarification if necessary.

Assumption of a 503 Loan

SBA intends to study the feasibility of permitting assumptions. Paragraph 20(c)(2) does permit assumptions for purchase money mortgages under certain conditions.

Change in Ownership of SBC

We believe the language on change of ownership contained in the authorization already implies the intent of the language suggested for inclusion by NADCO. Any modification to the existing clause is, in our opinion, not necessary.

Financing Both M&E and Real Estate Assets

SBA intends to follow the recommendation of NADCO and include a single paragraph permitting the use of the weighted average concept in projects including both machinery and equipment and real estate assets.

Equity Build-Up in a Building

SBA's policy on the required injection from a CDC is set forth in paragraph 22(a)(1)&(2). A CDC shall be required to inject into each project an amount equal to at least 10 percent of the funds necessary to complete a given project. The CDC's injection may come from a variety of sources, including the following:

The injection of cash and property at fair market value received in exchange for shares of stock issued by the CDC without conditions, or cash, and such property for which the CDC is indebted. Property contributed as the CDC's injection shall be added to the project to determine its total project cost. (Refer to paragraph 17(c) for a definition of project costs.) For example, if a CDC or an SBC is contributing land with a value of $150,000 to a project that requires $850,000 to construct a building and purchase machinery and equipment, the total project cost shall be the total financing required, plus the asset contributed, to complete the project, in this case $1,000,000. Property contributions may be considered as the CDC's injection only when it is applied to project that involve the construction of a new building. The guidelines contained in paragraph 26(a) should be followed to determine the value of the property being contributed particularly when the property has been owned by the CDC or SBC for a number of years and there has been an appreciation on the value of such property. In projects that involve an expansion to an existing building, the CDC's required injection may not come from equity in the existing land and building.

Money contributed to the CDC by state or local governments, banks or other financial institutions, or the small business concern (or such small business concern's owners, stockholders or affiliates) receiving assistance from the CDC. Contributions or loans to the CDC for inclusion in such company's participation in the cost of a given project may not be conditioned on the granting of voting rights, stock options, or any other type of financial interest in or control of the CDC by the small business concern being assisted.

SBA will review the policy identified above to determine whether any change is appropriate.

Personal Net Worth in 502 Project

NADCO recommends that SBA issue a clarification permitting the 503 personal net worth test to be applied to 502 projects. SBA intends to examine this recommendation and determine whether such an amendment would be consistent with the statutory intent of the 502 program.

10 Year Balloon Payments

SBA's policy on balloon payments is set forth in paragraph 20(a)(5) of SOP 50 22 and is as follows:

Balloon payments may be considered where circumstances warrant their use. Balloon payments must be justified in the loan report and clearly identified in the loan authorization. Balloon payments shall be permitted only if the participating regulated lending institution provides a minimum term of ten years on the balloon payment. For example, a balloon may be permitted if the lending institution amortizes the loan over 20 years, with the balloon payment due at the end of 10 years. Under no circumstances may a balloon payment be due in less than ten years. If the balloon payment is permitted, the Loan Officer must determine to his/her satisfaction that the balloon payment will not adversely affect the SBC's ability to satisfy its financial obligation to SBA.

Current SBA policy does permit the flexibility to use balloon payments if properly documented and justified. However, it is a judgement decision by SBA, based on the merit of the project, to determine that such a payment will not adversely affect the SBC. We will examine this issue but feel our current policy is proper.

Rate Restrictions

On June 23, 1982 paragraph 20(a)(4) of SOP 50 22 was amended to permit regulated lending institutions to establish their own rate of interest, provided it was legal and reasonable. This conforms with the recommendation set forth by NADCO.

Forward Commitment

SBA has ruled that forward commitment arrangements from lenders, secondary market representatives, or others, is ineligible. The forward commitment arrangement would work as follows: Lenders would issue forward commitments to builders/developers that they will provide permanent "take out" financing based upon an SBA guaranty. The commitment could be contingent on purchases being eligible SBCs.

The lenders would receive substantial fees for these commitments. The builders, in turn, use these commitments to obtain interim construction loans to complete their projects.

The forward commitment arrangement constitutes a violation of existing SBA regulations because of the fee [(13 CFR 122.20(c)(2)(vi)], and the conflict of interest issue that is raised when the commiting lender is involved in the project as well as in the resulting SBA loans [13 CFR 120.5(a)(1)].

While SBA has always considered the individual purchase of business facilities an eligible loan purpose, and continues to do so, SBA has never been a real estate mortgage lender as such. Although this situation has come about as a result of the current problems in the conventional mortgage field, it is clear that SBA, with its resource limitations and specific mission requirements, cannot serve as a substitute for this historically available financing source. SBA does not intend to change or modify this policy prohibiting forward commitments.

Purchase Money Servicing Requirements

Current SBA policy requires all sources of private sector financing to provide adequate servicing assistance to the SBCs receiving such financing. SBA will modify paragraph 20(a)(c)(7) of SOP 50 22 and state that if the 503 debenture is senior to the purchase money mortgage financing, the source of such financing will not be required to service the loan.

Prepayment Penalties

SBA intends to study the suggestions set forth by NADCO concerning options available to alleviate the effect of prepayment on small business concerns.

CDC Servicing Requirements

SBA is in the process of finalizing the CDCs servicing obligations. Such servicing requirements will set forth as proposed regulations in the Federal Register in the near future.

CDC Reporting Requirement

The operating report provides SBA with information concerning a CDCs activities during the course of a fiscal year. Regulatory compliance examinations are performed on a selective, limited basis. This information will not be made available to SBA on a regular, annual basis on all CDCs. We believe the operating report provides SBA with an opportunity to analyze, on a yearly basis, a CDC's level of operation and effectiveness.

Private Sector Advisory Group

SBA welcomes all comments and suggestions by various groups that participate with our programs. However, our Advisory Council is mandated by statute and provides SBA with excellent private sector advice and assistance. We do not think another group is warranted at this time.

Regulations in SOP's

We are in the process of making appropriate modifications to the regulations to ensure program conformity and accuracy.

Mike Aubey Suggestions - Maine Development Company

We have reviewed the suggestions put forth by Mr. Aubey and recognize a number of the recommendations have considerable merit. However, we feel it essential to make the necessary technical provisions in the 503 program prior to addressing in specific terms the more encompassing issues set forth by Mr. Aubey.

Generally, however, we believe the recommendations are constructive.

APPENDIX C

SBA

Directory of Certified Development Companies

U.S. Small Business Administration
Finance and Investment
Office of Lender Relations and Certifications

June 30, 1982

Summary of CDC by Region

REGION	NUMBER	LOCAL	STATE
1	35	34	1
2	21	20	1
3	21	21	
4	31	31	
5	52	52	
6	10	10	
7	26	24	2
8	15	14	1
9	24	24	
10	4	4	
TOTALS:	239	234	5

REGION: I
CO NAME: Androscoggin Valley
CO NAME: Reg. Planning Commission
ADDRESS: 70 Court Street
ADDRESS:
CITY/ST/ZIP: Auburn Ma 04210
APPROVAL DATE: 81-06-24
CERTIFICATION NO: 01-088
CONTACT: James Waite
TELEPHONE: (207) 783-9186
AREA OF OPERATION: Counties of Androscoggin, Franklin, and Oxford

REGION: I
CO NAME: Bay Colony Development
CO NAME: Corporation
ADDRESS: 87 Cresent Road
ADDRESS:
CITY/ST/ZIP: Needham MA 02194
APPROVAL DATE: 81-06-30
CERTIFICATION NO: 01-092
CONTACT: Tina Aronson
TELEPHONE: (617) 244-5586
AREA OF OPERATION: Throughout Mass. except Dukes and Nantucket Counties

REGION: I
CO NAME: Bennington County
CO NAME: Industrial Corp.
ADDRESS: Water Street Box 357
ADDRESS:
CITY/ST/ZIP: North Bennington VT 05257
APPROVAL DATE: 82-02-04
CERTIFICATION NO: 01-173
CONTACT: Paul DeConinck
TELEPHONE: (802) 442-8975
AREA OF OPERATION: Bennington County

REGION: I
CO NAME: Boston Local Development
CO NAME: Corporation
ADDRESS: 18 Tremont Street
ADDRESS: Suite 300
CITY/ST/ZIP: Boston MA 02108
APPROVAL DATE: 81-01-26
CERTIFICATION NO: 01-043
CONTACT: Henry Price
TELEPHONE: (617) 725-3342
AREA OF OPERATION: City of Boston

REGION: I
CO NAME: Boston Neighborhood
CO NAME: Business Corporation
ADDRESS: 182 Tremont Street
ADDRESS:
CITY/ST/ZIP: Boston MA 02111
APPROVAL DATE: 81-11-19
CERTIFICATION NO: 01-140
CONTACT: Mannie Berk
TELEPHONE: (617) 725-3081
AREA OF OPERATION: City-wide Boston

REGION: I
CO NAME: Brattleboro Development
CO NAME: Credit Corporation
ADDRESS: 5 Grove Street
ADDRESS: P.O. Box 1177
CITY/ST/ZIP: Brattleboro VT 05301
APPROVAL DATE: 81-05-20
CERTIFICATION NO: 01-065
CONTACT: Al Moulton
TELEPHONE: (802) 257-7731
AREA OF OPERATION: Windham County

REGION: I
CO NAME: Bristol County Chamber
CO NAME: Local Development Corp.
ADDRESS: 654 Metacom Avenue
ADDRESS: P.O. Box 250
CITY/ST/ZIP: Warren RI 02885
APPROVAL DATE: 81-09-27
CERTIFICATION NO: 01-112
CONTACT: Ann Bates
TELEPHONE: (401) 245-0751
AREA OF OPERATION: Bristol County, RI

REGION: I
CO NAME: Brockton Regional
CO NAME: Economic Development Corp
ADDRESS: One Centre Street
ADDRESS:
CITY/ST/ZIP: Brockton MA 02401
APPROVAL DATE: 81-05-21
CERTIFICATION NO: 01-071
CONTACT: Rian Fried
TELEPHONE: (617) 586-0503
AREA OF OPERATION: Designated area of the Brockton Regional Chamber of Commerce

REGION: I
CO NAME: Central Vermont Economic
CO NAME: Development Corp.
ADDRESS: 43 State Street
ADDRESS:
CITY/ST/ZIP: Montpelier VT 05602
APPROVAL DATE: 81-07-08
CERTIFICATION NO: 01-094
CONTACT: Vertil Agell
TELEPHONE: (802) 229-0555
AREA OF OPERATION: Washington County plus a part of northern Orange County

REGION: I
CO NAME: Cynosure, Inc.
CO NAME:
ADDRESS: 135 Church Street
ADDRESS: P.O. Box 786
CITY/ST/ZIP: Burlington VT 05402
APPROVAL DATE: 81-05-21
CERTIFICATION NO: 01-074
CONTACT: C. Harry Behney
TELEPHONE: (802) 862-5726
AREA OF OPERATION: Greater Burlington Area

REGION: I
CO NAME: Eastern Maine Development
CO NAME: District
ADDRESS: 10 Franklin Street
ADDRESS:
CITY/ST/ZIP: Bangor ME 04401
APPROVAL DATE: 06-08-81
CERTIFICATION NO: 01-009
CONTACT: Michael Aube
TELEPHONE: (207) 942-6389
AREA OF OPERATION: Six Counties in Eastern Maine

REGION: I
CO NAME: Greater Attleboro
CO NAME: Development Corporation
ADDRESS: 42 Union Street
ADDRESS:
CITY/ST/ZIP: Attleboro MA 02703
APPROVAL DATE: 81-09-17
CERTIFICATION NO: 01-107
CONTACT: Don Smith
TELEPHONE: (617) 222-9610
AREA OF OPERATION: City of Attleboro

REGION: I
CO NAME: Greater Hartford Business
CO NAME: Development Center, Inc.
ADDRESS: c/o HEDCo
ADDRESS: 15 Lewis Street
CITY/ST/ZIP: Hartford CT 06103
APPROVAL DATE: 81-07-30
CERTIFICATION NO: 01-100
CONTACT: Warren Leuteritz
TELEPHONE: (203) 722-6970
AREA OF OPERATION: County of Hartford

REGION: I
CO NAME: Greater Peabody Economic
CO NAME: Development Corporation
ADDRESS: 47 Lowell Street
ADDRESS:
CITY/ST/ZIP: Peabody MA 01960
APPROVAL DATE: 03-23-82
CERTIFICATION NO: 01-195
CONTACT: George FitzPatrick
TELEPHONE: (617) 531-0384
AREA OF OPERATION: Peabody and contiguous communities

REGION: I
CO NAME: Housatonic Industrial
CO NAME: Development Corporation
ADDRESS: 234 Main Street
ADDRESS: P.O. Box 72
CITY/ST/ZIP: Danbury CT 06810
APPROVAL DATE: 05-14-82
CERTIFICATION NO: 01-219
CONTACT: Richard F. Gretsch
TELEPHONE: ( ) 743-0306
AREA OF OPERATION: West of Connecticut River

REGION: I
CO NAME: Lewiston Development Corp
CO NAME:
ADDRESS: 40 Pine Street
ADDRESS:
CITY/ST/ZIP: Lewiston ME 04240
APPROVAL DATE: 81-12-29
CERTIFICATION NO: 01-155
CONTACT: John Turner
TELEPHONE: (207) 783-3505
AREA OF OPERATION: City of Lewiston

REGION: I
CO NAME: Lynn Capital Investment
CO NAME: Corporation
ADDRESS: 598 Essex Street
ADDRESS:
CITY/ST/ZIP: Lynn MA 01901
APPROVAL DATE: 81-09-23
CERTIFICATION NO: 01-120
CONTACT: Bill Kyriakakis
TELEPHONE: (617) 592-2361
AREA OF OPERATION: City of Lynn

REGION: I
CO NAME: Maine Development
CO NAME: Foundation
ADDRESS: One Memorail Circle
ADDRESS: Box #4
CITY/ST/ZIP: Augusta ME 04330
APPROVAL DATE: 02-04-82
CERTIFICATION NO: 01-095
CONTACT: Nathaniel H. Bowditch
TELEPHONE: (207) 622-6345
AREA OF OPERATION: State of Maine

REGION: I
CO NAME: New Haven Community
CO NAME: Investment Corp. LDC
ADDRESS: 157 Church Street
ADDRESS:
CITY/ST/ZIP: New Haven CT 05610
APPROVAL DATE: 81-06-08
CERTIFICATION NO: 01-086
CONTACT: Haazim Rasheed
TELEPHONE: (203) 787-6023
AREA OF OPERATION: City of New Haven

REGION: I
CO NAME: Newport County Certified
CO NAME: Development Company, Inc.
ADDRESS: c/o Chamber of Commerce
ADDRESS: 10 America's Cup Avenue
CITY/ST/ZIP: Newport RI 02840
APPROVAL DATE: 81-05-21
CERTIFICATION NO: 01-078
CONTACT: John Wilson
TELEPHONE: (401) 847-8484
AREA OF OPERATION: County of Newport

REGION: I
CO NAME: North Shore Business
CO NAME: Finance Corporation
ADDRESS: 57 Pickering Wharf
ADDRESS:
CITY/ST/ZIP: Salem MA 01970
APPROVAL DATE: 81-11-10
CERTIFICATION NO: 01-142
CONTACT: Robert Curtis
TELEPHONE: (617) 598-0272
AREA OF OPERATION: North Shore Area

REGION: I
CO NAME: Northern Community
CO NAME: Investment Corporation
ADDRESS: 20 Main Street
ADDRESS:
CITY/ST/ZIP: St. Johnsbury VT 05819
APPROVAL DATE: 03-23-82
CERTIFICATION NO: 01-190
CONTACT: David J. Kirker
TELEPHONE: (802) 748-5101
AREA OF OPERATION: Caledonia, Essex and Orleans Counties

REGION: I
CO NAME: Northern Regional
CO NAME: Planning Commission
ADDRESS: Main Street,
ADDRESS: P.O. Box 779
CITY/ST/ZIP: Caribou ME 04736
APPROVAL DATE: 81-01-09
CERTIFICATION NO: 01-023
CONTACT: James A. Barresi
TELEPHONE: (207) 498-8736
AREA OF OPERATION: Aroostock,Pescatguis (six townships) and Washington (one community) counties

REGION: I
CO NAME: Ocean State Business
CO NAME: Development Authority
ADDRESS: St. RI, Dept. Econ. Dev.
ADDRESS: Seven Jackson Walkway
CITY/ST/ZIP: Providence RI 02903
APPROVAL DATE: 01-12-81
CERTIFICATION NO: 01-019
CONTACT: Henry A. Violet
TELEPHONE: (401) 277-2601
AREA OF OPERATION: Counties of Providence, Kent, Washington and Newport

REGION: I
CO NAME: Pawtucket Local Community
CO NAME: & Industrial Dev. Corp.
ADDRESS: 200 Main Street
ADDRESS:
CITY/ST/ZIP: Pawtucket RI 02860
APPROVAL DATE: 81-01-16
CERTIFICATION NO: 01-034
CONTACT: Joseph Silva
TELEPHONE: (401) 724-5200
AREA OF OPERATION: Plymouth & Norfolk Counties

REGION: I
CO NAME: Plymouth Industrial
CO NAME: Development Corporation
ADDRESS: 130 Court Street
ADDRESS: P.O. Box 321
CITY/ST/ZIP: Plymouth MA 02361
APPROVAL DATE: 81-05-21
CERTIFICATION NO: 01-081
CONTACT: Greg Collins
TELEPHONE: (617) 746-1050
AREA OF OPERATION: Plymouth, Kingston and
Plympton, Massachusetts

REGION: I
CO NAME: Providence Industrial
CO NAME: Development Corporation
ADDRESS: 10 Dorrence Street
ADDRESS:
CITY/ST/ZIP: Providence RI 02903
APPROVAL DATE: 81-05-20
CERTIFICATION NO: 01-041
CONTACT: Roland Theriault
TELEPHONE: (401) 273-8050
AREA OF OPERATION: City of Providence

REGION: I
CO NAME: Providence Local
CO NAME: Development Corporation
ADDRESS: 77 Washington Street
ADDRESS:
CITY/ST/ZIP: Providence RI 02903
APPROVAL DATE: 81-01-06
CERTIFICATION NO: 01-039
CONTACT: Thomas Andolfo
TELEPHONE: (401) 274-5200
AREA OF OPERATION: City of Providence

REGION: I
CO NAME: Riverside Development
CO NAME: Corporation
ADDRESS: 42 North East Street
ADDRESS:
CITY/ST/ZIP: Holyoke MA 01040
APPROVAL DATE: 81-12-18
CERTIFICATION NO: 01-159
CONTACT: Richard Courchesne
TELEPHONE: (413) 533-7102
AREA OF OPERATION: City of Holyoke

REGION: I
CO NAME: Somerville Local
CO NAME: Development Corporation
ADDRESS: City Hall
ADDRESS: 93 Highland Ave.
CITY/ST/ZIP: Somerville MA 02143
APPROVAL DATE: 81-01-25
CERTIFICATION NO: 01-051
CONTACT: John O'Neil
TELEPHONE: (617) 666-5980
AREA OF OPERATION: Citywide Somerville

REGION: I
CO NAME: South Shore Economic
CO NAME: Development Corporation
ADDRESS: 36 Miller Stile Road
ADDRESS:
CITY/ST/ZIP: Quincy MA 02169
APPROVAL DATE: 81-01-12
CERTIFICATION NO: 01-037
CONTACT: Mr. Zooleck
TELEPHONE: (617) 479-6677
AREA OF OPERATION: Plymouth and Norfolk Counties

REGION: I
CO NAME: Springfield Small
CO NAME: Business Assistance, Inc.
ADDRESS: 600 Baystate West Plaza
ADDRESS: 1500 Main Street
CITY/ST/ZIP: Springfield MA 01115
APPROVAL DATE: 81-05-21
CERTIFICATION NO: 01-079
CONTACT: Bob Reavey
TELEPHONE: (413) 734-9060
AREA OF OPERATION: Counties of Hampden, Hampshire and Franklin

REGION: I
CO NAME: Target Area Development
CO NAME: Corporation
ADDRESS: 2 Federal St.
ADDRESS:
CITY/ST/ZIP: St. Albans VT 05478
APPROVAL DATE: 81-09-17
CERTIFICATION NO: 01-108
CONTACT: Scribner Allen
TELEPHONE: (802) 524-2194
AREA OF OPERATION: Complete County of Franklin

REGION: I
CO NAME: Winooski Community
CO NAME: Development Corporation
ADDRESS: 27 West Allen Street
ADDRESS:
CITY/ST/ZIP: Winooski VT 05404
APPROVAL DATE: 81-12-17
CERTIFICATION NO: 01-137
CONTACT: Mark Tigan
TELEPHONE: (802) 655-0773
AREA OF OPERATION: City of Winooski and town of Colchester

REGION: I
CO NAME: Worcester Business
CO NAME: Development Corporation
ADDRESS: 350 Mechanics Tower
ADDRESS:
CITY/ST/ZIP: Worcester MA 01608
APPROVAL DATE: 81-09-23
CERTIFICATION NO: 01-131
CONTACT: Bill Wood
TELEPHONE: (617) 753-2924
AREA OF OPERATION: Worcester County and its contiguous areas

REGION: II
CO NAME: Albany Local Development
CO NAME: Corporation
ADDRESS: 155 Washington Avenue
ADDRESS:
CITY/ST/ZIP: Albany NY 12210
APPROVAL DATE: 06-24-81
CERTIFICATION NO: 02-090
CONTACT: Mr. Newland
TELEPHONE: (518) 462-8521
AREA OF OPERATION: City of Albany

REGION: II
CO NAME: Camden Local Development
CO NAME: Company
ADDRESS: 101 North Seventh Street
ADDRESS: Suite 201
CITY/ST/ZIP: Camden NJ 08102
APPROVAL DATE: 09-23-81
CERTIFICATION NO: 02-124
CONTACT: Benjamin A. Smallwood
TELEPHONE: (609) 963-8230
AREA OF OPERATION: City of Camden

REGION: II
CO NAME: Corning Crossroads, Inc.
CO NAME:
ADDRESS: 42 East Market Street
ADDRESS:
CITY/ST/ZIP: Corning NY 14830
APPROVAL DATE: 12-18-81
CERTIFICATION NO: 02-158
CONTACT: Mike Manakowski
TELEPHONE: (607) 936-8443
AREA OF OPERATION: Steuben County, New York

REGION: II
CO NAME: Downstate Development
CO NAME: Corporation
ADDRESS: 2 East Avenue
ADDRESS:
CITY/ST/ZIP: Larchmont NY 10538
APPROVAL DATE: 05-25-82
CERTIFICATION NO: 02-196
CONTACT: Stuart Lichter
TELEPHONE: (914) 834-0749
AREA OF OPERATION: NY City and Mid-Hudson Valley
(22 Counties) will also cover
parts of NY St. when requested

REGION: II
CO NAME: Elizabeth Development
CO NAME: Company of New Jersey
ADDRESS: 1209 East Grand Street
ADDRESS:
CITY/ST/ZIP: Elizabeth NJ 07201
APPROVAL DATE: 06-16-82
CERTIFICATION NO: 02-226
CONTACT: Jack Krasner
TELEPHONE: ( ) 289-0262
AREA OF OPERATION: City of Elizabeth, New Jersey

REGION: II
CO NAME: Empire State Certified
CO NAME: Development Corporation
ADDRESS: 41 State Street
ADDRESS:
CITY/ST/ZIP: Albany NY 12207
APPROVAL DATE: 09-17-81
CERTIFICATION NO: 02-109
CONTACT: Robert Lazar
TELEPHONE: (518) 463-2268
AREA OF OPERATION: State of New York

REGION: II
CO NAME: Erie Niagara Industrial
CO NAME: Development Corporation
ADDRESS: 107 Delaware Avenue
ADDRESS:
CITY/ST/ZIP: Buffalo NY 14202
APPROVAL DATE: 10-01-80
CERTIFICATION NO: 02-003
CONTACT: Gretchen Fierle
TELEPHONE: (716) 849-6685
AREA OF OPERATION: Erie and Niagara Counties

REGION: II
CO NAME: Genesee County Local
CO NAME: Development Corporation
ADDRESS: 216 East Main Street
ADDRESS:
CITY/ST/ZIP: Batavia NY 14002
APPROVAL DATE: 01-08-82
CERTIFICATION NO: 02-148
CONTACT: Donald F. Callan
TELEPHONE: (716) 343-4866
AREA OF OPERATION: Genesee County New York

REGION: II
CO NAME: Greater Lockport
CO NAME: Development Corporation
ADDRESS: One Locks Plaza
ADDRESS:
CITY/ST/ZIP: Lockport NY 14094
APPROVAL DATE: 02-24-82
CERTIFICATION NO: 02-180
CONTACT: Thomas C. Rotondo, Jr.
TELEPHONE: (716) 439-6688
AREA OF OPERATION: Citywide Lockport

REGION: II
CO NAME: Hudson Development
CO NAME: Corporation
ADDRESS: 611 Warren St.
ADDRESS:
CITY/ST/ZIP: Hudson NY 12534
APPROVAL DATE: 09-23-81
CERTIFICATION NO: 01-119
CONTACT: Edmond F. Schorno
TELEPHONE: (518) 828-3373
AREA OF OPERATION: Citywide Hudson

REGION: II
CO NAME: Long Island Development
CO NAME: Corporation
ADDRESS: 1501 Franklin Avenue
ADDRESS: Suite 301A
CITY/ST/ZIP: Mineola NY 11501
APPROVAL DATE: 10-27-80
CERTIFICATION NO: 02-005
CONTACT: Steven D. Gurian
TELEPHONE: (516) 535-5454
AREA OF OPERATION: Counties of Nassau, Suffolk and environs

REGION: II
CO NAME: Monroe County Industrial
CO NAME: Development Corporation
ADDRESS: 55 St. Paul Street
ADDRESS:
CITY/ST/ZIP: Rochester NY 14604
APPROVAL DATE: 06-09-81
CERTIFICATION NO: 02-053
CONTACT: R. Bruce Carson
TELEPHONE: (716) 454-2220
AREA OF OPERATION: Monroe County

REGION: II
CO NAME: Newark Local Development
CO NAME: Corporation
ADDRESS: 744 Broad Street
ADDRESS: Suite 2007
CITY/ST/ZIP: Newark NJ 07102
APPROVAL DATE: 02-04-82
CERTIFICATION NO: 02-162
CONTACT: Edward J. Lenihan
TELEPHONE: (201) 643-2790
AREA OF OPERATION: Citywide Newark

REGION: II
CO NAME: Niagara Falls Local
CO NAME: Development Corporation
ADDRESS: 745 Main Street
ADDRESS:
CITY/ST/ZIP: Niagara Falls NY 14302
APPROVAL DATE: 10-01-80
CERTIFICATION NO: 02-002
CONTACT: Bob McCoy
TELEPHONE: (716) 285-3146
AREA OF OPERATION: City of Niagara Falls

REGION: II
CO NAME: Onondaga Industrial
CO NAME: Development Second Corp.
ADDRESS: 1500 MONY Plaza
ADDRESS:
CITY/ST/ZIP: Syracuse NY 13202
APPROVAL DATE: 12-17-81
CERTIFICATION NO: 02-150
CONTACT: Bob Valentine
TELEPHONE: (315) 422-1343
AREA OF OPERATION: County of Onondaga

REGION: II
CO NAME: Paterson Regional
CO NAME: Development Corporation
ADDRESS: 100 Hamilton Plaza
ADDRESS:
CITY/ST/ZIP: Paterson NJ 07505
APPROVAL DATE: 05-07-82
CERTIFICATION NO: 02-218
CONTACT: Kenneth Chisholm
TELEPHONE: (201) 345-6882
AREA OF OPERATION: Bergen and Passaic Counties

REGION: II
CO NAME: Port Jervis Development
CO NAME: Corporation
ADDRESS: 24 Front Street
ADDRESS:
CITY/ST/ZIP: Port Jervis NY 12771
APPROVAL DATE: 11-20-81
CERTIFICATION NO: 02-141
CONTACT: Irving E. Homer
TELEPHONE: (919) 856-4444
AREA OF OPERATION: Citywide in Port Jervis

REGION: II
CO NAME: Promote Gloversville
CO NAME: Development Corporation
ADDRESS: Frontage Road
ADDRESS:
CITY/ST/ZIP: Gloversville NY 12078
APPROVAL DATE: 05-21-81
CERTIFICATION NO: 02-068
CONTACT: Louis Nicolella
TELEPHONE: (518) 773-7521
AREA OF OPERATION: Citywide Gloversville

REGION: II
CO NAME: Syracuse Economic
CO NAME: Development Corporation
ADDRESS: 217 Montgomery Street
ADDRESS:
CITY/ST/ZIP: Syracuse NY 13202
APPROVAL DATE: 07-02-81
CERTIFICATION NO: 02-093
CONTACT: Dave Krietor
TELEPHONE: (315) 473-5501
AREA OF OPERATION: Citywide in Syracuse, NY

REGION: II
CO NAME: The Local Development
CO NAME: Corp. for City of Buffalo
ADDRESS: 920 City Hall
ADDRESS:
CITY/ST/ZIP: Buffalo NY 14202
APPROVAL DATE: 10-01-80
CERTIFICATION NO: 02-001
CONTACT: Bob Dickerson
TELEPHONE: (716) 855-5017
AREA OF OPERATION: City of Buffalo

REGION: II
CO NAME: Utica Industrial
CO NAME: Development Corporation
ADDRESS: 209 Elizabeth Street
ADDRESS:
CITY/ST/ZIP: Utica NY 13501
APPROVAL DATE: 09-17-81
CERTIFICATION NO: 02-110
CONTACT: Everett Shaw
TELEPHONE: (315) 724-3151
AREA OF OPERATION: Counties of Oneida and
Herkimer -City of Utica

REGION: III
CO NAME: Allentown Economic
CO NAME: Development Corporation
ADDRESS: 462 Walnut Street
ADDRESS: P.O. Box 1410
CITY/ST/ZIP: Allentown PA 18105
APPROVAL DATE: 08-10-81
CERTIFICATION NO: 03-104
CONTACT: Tony Hanna
TELEPHONE: (215) 435-8890
AREA OF OPERATION: City of Allentown

REGION: III
CO NAME: BEDCO Development Corp.
CO NAME:
ADDRESS: Suite 2400 Charles Center
ADDRESS: 36 South Charles Street
CITY/ST/ZIP: Baltimore MD 21201
APPROVAL DATE: 01-12-81
CERTIFICATION NO: 03-014
CONTACT: Larry Smith
TELEPHONE: (301) 837-9305
AREA OF OPERATION: Citywide Baltimore

REGION: III
CO NAME: Business and Job
CO NAME: Development Corporation
ADDRESS: 1411 Park Building
ADDRESS:
CITY/ST/ZIP: Pittsburgh PA 15222
APPROVAL DATE: 05-20-81
CERTIFICATION NO: 03-060
CONTACT: Paul D. Nelson
TELEPHONE: (412) 391-1240
AREA OF OPERATION: Allegheny County

REGION: III
CO NAME: Chester Business
CO NAME: Development Service, Inc.
ADDRESS: 513 Welsh Street
ADDRESS:
CITY/ST/ZIP: Chester PA 19013
APPROVAL DATE: 05-21-81
CERTIFICATION NO: 03-075
CONTACT: John Meli
TELEPHONE: (215) 447-7845
AREA OF OPERATION: Citywide Chester

REGION: III
CO NAME: Cumberland-Allegany Co.
CO NAME: Industrial Foundation Inc
ADDRESS: 115 South Centre Street
ADDRESS:
CITY/ST/ZIP: Cumberland MD 21502
APPROVAL DATE: 04-07-82
CERTIFICATION NO: 03-197
CONTACT: Manning M. Kimmel, IV
TELEPHONE: (301) 777-5968
AREA OF OPERATION: Cumberland-Allegany County

REGION: III
CO NAME: Delaware County Economic
CO NAME: Development Center Inc.
ADDRESS: 602 E. Baltimore Pike
ADDRESS:
CITY/ST/ZIP: Media PA 19063
APPROVAL DATE: 12-17-81
CERTIFICATION NO: 03-165
CONTACT: George Kellogg
TELEPHONE: (215) 565-7575
AREA OF OPERATION: County of Delaware

REGION: III
CO NAME: Erie City Local
CO NAME: Development Corporation
ADDRESS: Suite 500 City Hall
ADDRESS:
CITY/ST/ZIP: Erie PA 16501
APPROVAL DATE: 07-08-81
CERTIFICATION NO: 03-098
CONTACT: Michael Veshecco
TELEPHONE: (814) 455-0961
AREA OF OPERATION: City-Wide Erie

REGION: III
CO NAME: Lake Country Development
CO NAME: Corporation
ADDRESS: 123 S. Mecklenburg Ave.
ADDRESS: P.O. Box 150
CITY/ST/ZIP: South Hill VA 23970
APPROVAL DATE: 04-22-82
CERTIFICATION NO: 03-213
CONTACT: Lawrence W. Wuensch
TELEPHONE: (804) 447-7101
AREA OF OPERATION: Southside Planning District,VA

REGION: III
CO NAME: MetroAction, Inc.
CO NAME:
ADDRESS: P.O. Box 431
ADDRESS:
CITY/ST/ZIP: Scranton PA 18501
APPROVAL DATE: 04-12-82
CERTIFICATION NO: 03-241
CONTACT: W. Russell Preston
TELEPHONE: (717) 342-7713
AREA OF OPERATION: Counties of Lackawanna, Luzerne and Monroe

REGION: III
CO NAME: Mid-Ohio Valley
CO NAME: Development Corporation
ADDRESS: P.O. Box 247
ADDRESS: 925 Market Street
CITY/ST/ZIP: Parkersburg WV 26101
APPROVAL DATE: 02-26-82
CERTIFICATION NO: 03-184
CONTACT: Paul L. Villers
TELEPHONE: (304) 485-3801
AREA OF OPERATION: Tyler,Pleasants,Wood,Ritchie, Wirt,Jackson,Roone and Calhoun Counties

REGION: III
CO NAME: Newport News Pulse
CO NAME: Development Corporation
ADDRESS: 2400 Washington Avenue
ADDRESS:
CITY/ST/ZIP: Newport News VA 23607
APPROVAL DATE: 04-27-82
CERTIFICATION NO: 03-216
CONTACT: Bernard A. Morewitz
TELEPHONE: (804) 274-8777
AREA OF OPERATION: Mercury Blvd.Chessie Sys.track S. boundaries of prop fronting S.side 23rd St and James River

REGION: III
CO NAME: PIDC Local Development
CO NAME: Corporation
ADDRESS: 1800 One East Penn. Sq.
ADDRESS:
CITY/ST/ZIP: Philadelphia PA 19107
APPROVAL DATE: 06-08-81
CERTIFICATION NO: 03-084
CONTACT: Joseph M. Egan
TELEPHONE: (215) 568-8370
AREA OF OPERATION: Citywide in Philadelphia, PA

REGION: III
CO NAME: Parkersburg-Wood County
CO NAME: Area Development Corp.
ADDRESS: 720 Juliana Street
ADDRESS:
CITY/ST/ZIP: Parkersburg WV 26101
APPROVAL DATE: 04-09-82
CERTIFICATION NO: 03-208
CONTACT: Richard Adams
TELEPHONE: (304) 424-8701
AREA OF OPERATION: Wood County, WV

REGION: III
CO NAME: Philadelphia Industrial
CO NAME: Loan Fund, Inc.
ADDRESS: One East Penn. Sq. Bldg.
ADDRESS:
CITY/ST/ZIP: Philadelphia PA 19107
APPROVAL DATE: 05-22-81
CERTIFICATION NO: 03-083
CONTACT: James Martin
TELEPHONE: (215) 568-2630
AREA OF OPERATION: City and County of Philadelphia

REGION: III
CO NAME: SEDA - COG Local
CO NAME: Development Corporation
ADDRESS: R.D. #1
ADDRESS:
CITY/ST/ZIP: Lewisburg PA 17837
APPROVAL DATE: 04-05-82
CERTIFICATION NO: 03-207
CONTACT: George H. Gensemer
TELEPHONE: (717) 524-4491
AREA OF OPERATION: Centre,Clint.Columbia,Juniata, Lycoming,Mifflin,Montour, Northumber.Synder,Union,Perry

REGION: III
CO NAME: Small Enterprise
CO NAME: Development Company
ADDRESS: 13 East Market Street
ADDRESS:
CITY/ST/ZIP: York PA 17401
APPROVAL DATE: 04-27-82
CERTIFICATION NO: 03-215
CONTACT: Earl P. Herting
TELEPHONE: (717) 846-2055
AREA OF OPERATION: York County, Penn.

REGION: III
CO NAME: The Mid-Atlantic
CO NAME: Certified Development Co.
ADDRESS: Maryland Nat'l Bank Bldg.
ADDRESS: 10 Light St., 32nd Floor
CITY/ST/ZIP: Baltimore MD 21202
APPROVAL DATE: 05-05-82
CERTIFICATION NO: 03-213
CONTACT: Standford G. Gann
TELEPHONE: (301) 539-3700
AREA OF OPERATION: State of Maryland except Allegnay and Garrett Counties and City of Baltimore

REGION: III
CO NAME: The Northwestern
CO NAME: Pennsylvania Devel. Co.
ADDRESS: 700 Peach Street
ADDRESS: Suite 202
CITY/ST/ZIP: Erie PA 16501
APPROVAL DATE: 07-30-81
CERTIFICATION NO: 03-099
CONTACT: Thomas F. Manucci
TELEPHONE: (814) 452-4158
AREA OF OPERATION: Northwestern Pennsylvania

REGION: III
CO NAME: Urban Local Development
CO NAME: Corporation (ULDC)
ADDRESS: 100 South Broad Street
ADDRESS: Suite 2032
CITY/ST/ZIP: Philadelphia PA 19110
APPROVAL DATE: 12-30-80
CERTIFICATION NO: 03-012
CONTACT: Joseph J. James
TELEPHONE: (215) 561-6600
AREA OF OPERATION: Philadelphia County, PA

REGION: III
CO NAME: Washington, D.C. Local
CO NAME: Development Corporation
ADDRESS: 1350 "E" Street, N.W.,
ADDRESS: Room 201
CITY/ST/ZIP: Washington DC 20004
APPROVAL DATE: 12-16-80
CERTIFICATION NO: 03-004
CONTACT: Anthony Williams
TELEPHONE: (202) 727-6600
AREA OF OPERATION: Washington, D.C.

REGION: III
CO NAME: Wilmington Local
CO NAME: Development Corporation
ADDRESS: Two East Seventh Street
ADDRESS: Suite 304
CITY/ST/ZIP: Wilmington DE 19801
APPROVAL DATE: 01-16-81
CERTIFICATION NO: 03-018
CONTACT: Janice Trainer
TELEPHONE: (302) 571-9087
AREA OF OPERATION: Citywide Wilmington

REGION: IV
CO NAME: Appalachian Wilderness
CO NAME: Investment Corporation
ADDRESS: Highway 411 N.
ADDRESS: P.O. Box 537
CITY/ST/ZIP: Chatsworth GA 30705
APPROVAL DATE: 09-23-81
CERTIFICATION NO: 04-136
CONTACT: Jimmy L. Davis
TELEPHONE: (404) 695-3633
AREA OF OPERATION: 90% Murray County remaining 10% adjacent Whitfield, Gilmer Fannin, and Gordon

REGION: IV
CO NAME: Areawide Development
CO NAME: Corporation
ADDRESS: 5616 Kingston Pike
ADDRESS: P.O. Box 19806
CITY/ST/ZIP: Knoxville, TN 37919
APPROVAL DATE: 12-17-81
CERTIFICATION NO: 04-163
CONTACT: Paul D. Goddard, Jr.
TELEPHONE: (615) 588-7972
AREA OF OPERATION: Eastern Tennessee

REGION: IV
CO NAME: Atlanta Local
CO NAME: Development Company
ADDRESS: 1350 North OMNI
ADDRESS: International
CITY/ST/ZIP: Atlanta GA 30303
APPROVAL DATE: 12-17-81
CERTIFICATION NO: 04-149
CONTACT: Lonny Saboor
TELEPHONE: (404) 658-7066
AREA OF OPERATION: Citywide Atlanta

REGION: IV
CO NAME: Barren River Area
CO NAME: Development District
ADDRESS: P.O. Box 2120
ADDRESS:
CITY/ST/ZIP: Bowling Green KY 42101
APPROVAL DATE: 12-17-81
CERTIFICATION NO: 04-166
CONTACT: Bob Hunter
TELEPHONE: (502) 721-2381
AREA OF OPERATION: Southcentral Kentucky

REGION: IV
CO NAME: Birmingham City Wide
CO NAME: Local Development Company
ADDRESS: 620 North 22nd Street
ADDRESS:
CITY/ST/ZIP: Birmingham AL 35203
APPROVAL DATE: 09-17-81
CERTIFICATION NO: 04-113
CONTACT: Wayne Wisner
TELEPHONE: (205) 254-2832
AREA OF OPERATION: Citywide Birmingham

REGION: IV
CO NAME: Buffalo Trace Area
CO NAME: Development District Inc.
ADDRESS: 327 West Second Street
ADDRESS:
CITY/ST/ZIP: Maysville KY 41056
APPROVAL DATE: 02-26-82
CERTIFICATION NO: 04-185
CONTACT: Frank H. McCartney
TELEPHONE: (606) 564-6894
AREA OF OPERATION: Bracken, Fleming, Lewis, Mason and Robertson Counties

REGION: IV
CO NAME: CSRA Local Development
CO NAME: Corporation
ADDRESS: 2123 Wrightsboro Rd.
ADDRESS: P.O. Box 2800
CITY/ST/ZIP: Augusta GA 30904
APPROVAL DATE: 09-23-81
CERTIFICATION NO: 04-134
CONTACT: Jim Kaitschuck
TELEPHONE: (404) 828-2356
AREA OF OPERATION: 13 County area in East Central Georgia

REGION: IV
CO NAME: Central Mississippi
CO NAME: Development Company, Inc.
ADDRESS: 2675 River Ridge Road
ADDRESS:
CITY/ST/ZIP: Jackson MS 39216
APPROVAL DATE: 05-27-82
CERTIFICATION NO: 04-229
CONTACT: Ernest L. Buttross
TELEPHONE: (601) 981-1511
AREA OF OPERATION: Copiah,Hinds,Madison,Rankin, Simpson,Warren and Yazoo Counties

REGION: IV
CO NAME: Centralina Development
CO NAME: Corporation, Inc.
ADDRESS: P.O. Box 35008
ADDRESS:
CITY/ST/ZIP: Charlotte NC 28235
APPROVAL DATE: 06-16-82
CERTIFICATION NO: 04-243
CONTACT: Paul K. Herringshaw
TELEPHONE: (704) 372-2416
AREA OF OPERATION: Cabarrus,Gaston,Iredell, Lincoln,Mecklenburg,Rowan, Stanly and Union Counties

REGION: IV
CO NAME: Charleston Citywide Local
CO NAME: Development Corporation
ADDRESS: 116 Meeting Street
ADDRESS:
CITY/ST/ZIP: Charleston SC 29401
APPROVAL DATE: 02-20-81
CERTIFICATION NO: 04-028
CONTACT: Bob Mullen
TELEPHONE: (803) 577-6970
AREA OF OPERATION: Citywide Charleston

REGION: IV
CO NAME: Chattanooga - Hamilton Co
CO NAME: Development Corporation
ADDRESS: Civic Forum,
ADDRESS: 1001 Market Street
CITY/ST/ZIP: Chattanooga TN 37402
APPROVAL DATE: 04-06-82
CERTIFICATION NO: 04-198
CONTACT: John F. Germ
TELEPHONE: ( ) 756-2121
AREA OF OPERATION: 60 mile radius from Hamilton County Courthouse (TN)

REGION: IV
CO NAME: Coastal Area District
CO NAME: Development Authority,Inc
ADDRESS: P.O. Box 1917
ADDRESS: 127 F Street
CITY/ST/ZIP: Brunswick GA 31521
APPROVAL DATE: 05-27-82
CERTIFICATION NO: 04-230
CONTACT: James M. Floyd
TELEPHONE: (912) 264-7315
AREA OF OPERATION: Effingham,Chatham,Bryan,Long, Liberty,McIntosh,Glynn,and Camden Ctys. not Savannah city

99-538 O—82——10

REGION: IV
CO NAME: Columbus Local
CO NAME: Development Corporation
ADDRESS: P.O. Box 1340
ADDRESS:
CITY/ST/ZIP: Columbus GA 31993
APPROVAL DATE: 05-20-81
CERTIFICATION NO: 04-049
CONTACT: LouAnn Binns
TELEPHONE: (404) 324-7711
AREA OF OPERATION: Citywide Columbus, GA

REGION: IV
CO NAME: Commonwealth Small
CO NAME: Business Development Corp
ADDRESS: 2400 Capital Plaza Tower
ADDRESS:
CITY/ST/ZIP: Frankfort KY 40601
APPROVAL DATE: 12-17-81
CERTIFICATION NO: 04-160
CONTACT: Terry Walker
TELEPHONE: (502) 564-4320
AREA OF OPERATION: Statewide except Robertson and Carlisle Counties

REGION: IV
CO NAME: Fayetteville Progress,Inc
CO NAME:
ADDRESS: 2504 Raeford Road
ADDRESS: Suite B
CITY/ST/ZIP: Fayetteville NC 28305
APPROVAL DATE: 07-08-81
CERTIFICATION NO: 04-096
CONTACT: M.J. Weeks
TELEPHONE: (919) 323-1313
AREA OF OPERATION: Southeastern N.C.

REGION: IV
CO NAME: Gulf Regional Financial
CO NAME: Corporation
ADDRESS: 1232 Pass Road
ADDRESS:
CITY/ST/ZIP: Gulfport MI 39501
APPROVAL DATE: 03-16-82
CERTIFICATION NO: 04-191
CONTACT: Mr. James A. Head, Jr.
TELEPHONE: (601) 864-1167
AREA OF OPERATION: Counties of Hancock, Harrison Jackson and environs

REGION: IV
CO NAME: Jacksonville Local
CO NAME: Development Company, Inc.
ADDRESS: Suite 603,FL Theatre Bldg
ADDRESS: 128 E. Forsyth Street
CITY/ST/ZIP: Jacksonville FL 32202
APPROVAL DATE: 06-24-81
CERTIFICATION NO: 04-089
CONTACT: Denise Wallace
TELEPHONE: (904) 633-6808
AREA OF OPERATION: Citywide Jacksonville, Duval County, FL

REGION: IV
CO NAME: Jefferson County Local
CO NAME: Development Corporation
ADDRESS: 1006 Fiscal Court Bldg.
ADDRESS:
CITY/ST/ZIP: Louisville KY 40202
APPROVAL DATE: 03-16-82
CERTIFICATION NO: 04-189
CONTACT: Mr. James W. Napier
TELEPHONE: (502) 581-6417
AREA OF OPERATION: Jefferson County

REGION: IV
CO NAME: Local Development Corp.
CO NAME: of Dade County
ADDRESS: 1001 N.W. 54th Street
ADDRESS: Suite L
CITY/ST/ZIP: Miami FL 33127
APPROVAL DATE: 12-17-81
CERTIFICATION NO: 04-164
CONTACT: Jonathan Todd
TELEPHONE: (305) 751-6872
AREA OF OPERATION: Dade County, Florida

REGION: IV
CO NAME: Louisville Economic
CO NAME: Development Corporation
ADDRESS: 4th Floor,Nat Hist Museum
ADDRESS: 727 West Main Street
CITY/ST/ZIP: Louisville KY 40202
APPROVAL DATE: 02-06-81
CERTIFICATION NO: 04-008
CONTACT: Gerald Toner
TELEPHONE: (502) 587-3051
AREA OF OPERATION: City of Louisville, KY

REGION: IV
CO NAME: Miami Citywide
CO NAME: Development, Inc.
ADDRESS: 100 N. Biscayne Blvd.
ADDRESS: 9th Floor
CITY/ST/ZIP: Miami FL 33132
APPROVAL DATE: 05-21-81
CERTIFICATION NO: 04-082
CONTACT: W. R. Ellis
TELEPHONE: (305) 358-1025
AREA OF OPERATION: Citywide Miami

REGION: IV
CO NAME: Neuse River Development
CO NAME: Authority, Inc.
ADDRESS: P.O. Box 1717
ADDRESS:
CITY/ST/ZIP: New Bern NC 28560
APPROVAL DATE: 06-16-82
CERTIFICATION NO: 04-242
CONTACT: R. B. Patteson
TELEPHONE: ( ) 638-3185
AREA OF OPERATION: Carteret,Craven,Duplin,Greene, Jones,Lenoir,Onslow,Pamlico, and Wayne Counties

REGION: IV
CO NAME: North Central Development
CO NAME: Company, Inc.
ADDRESS: 321 Summit Street
ADDRESS: P.O. Box 668
CITY/ST/ZIP: Winona MS 39867
APPROVAL DATE: 02-04-82
CERTIFICATION NO: 04-175
CONTACT: C.W. "Billy" Martin
TELEPHONE: (601) 283-2675
AREA OF OPERATION: Attala, Carroll, Grenada, Holmes, Leflore, Montgomery and Yalobusha Counties

REGION: IV
CO NAME: Pontotoc Ridge Local
CO NAME: Development Company, Inc.
ADDRESS: P.O. Drawer B
ADDRESS:
CITY/ST/ZIP: Pontotoc MS 38863
APPROVAL DATE: 01-08-82
CERTIFICATION NO: 04-153
CONTACT: Vernon R. Kelley III
TELEPHONE: (601) 489-2435
AREA OF OPERATION: Calhoun, chickasaw, Itawamba, Lafayette, Lee, Monroe, Pontotoc, and Union Counties

REGION: IV
CO NAME: Sanford-Seminole
CO NAME: Development Corporation
ADDRESS: 400 East First Street
ADDRESS: P.O. Drawer CC
CITY/ST/ZIP: Sanford FL 32771
APPROVAL DATE: 05-20-81
CERTIFICATION NO: 04-057
CONTACT: Mr. Horner
TELEPHONE: (305) 322-8160
AREA OF OPERATION: Basically Seminole County FL

REGION: IV
CO NAME: South Georgia Area
CO NAME: Development Corporation
ADDRESS: 327 W. Savannah Avenue
ADDRESS: P.O. Box 1223
CITY/ST/ZIP: Valdosta GA 31601
APPROVAL DATE: 06-21-82
CERTIFICATION NO: 04-235
CONTACT: Hal A. Davis
TELEPHONE: (912) 247-3497
AREA OF OPERATION: Ten-county area in south central Georgia

REGION: IV
CO NAME: Suwannee Industrial
CO NAME: Development Corporation
ADDRESS: 205 Houston Avenue, S.W.
ADDRESS:
CITY/ST/ZIP: Live Oak FL 32060
APPROVAL DATE: 03-11-81
CERTIFICATION NO: 04-055
CONTACT: J.L. McMullen
TELEPHONE: (904) 362-3103
AREA OF OPERATION: Suwanne County

REGION: IV
CO NAME: The First Alabama
CO NAME: Development Corporation
ADDRESS: 2017 Morris Avenue
ADDRESS:
CITY/ST/ZIP: Birmingham AL 35203
APPROVAL DATE: 12-14-81
CERTIFICATION NO: 04-154
CONTACT: Susan Roshert
TELEPHONE: (205) 323-8331
AREA OF OPERATION: State of Alabama except Sumter Choctaw and Washington Counties

REGION: IV
CO NAME: United Industrial
CO NAME: Development Corporation
ADDRESS: 302 East 16th Avenue
ADDRESS:
CITY/ST/ZIP: Cordele GA 31015
APPROVAL DATE: 04-08-82
CERTIFICATION NO: 04-205
CONTACT: Wesley Turton
TELEPHONE: (912) 273-0930
AREA OF OPERATION: Crisp County

REGION: IV
CO NAME: United Local Development
CO NAME: Corporation
ADDRESS: c/o Bank of Mississippi
ADDRESS: One MS Plaza P.O. Box 789
CITY/ST/ZIP: Tupelo MS 38801
APPROVAL DATE: 09-23-81
CERTIFICATION NO: 04-133
CONTACT: Jim Green
TELEPHONE: (601) 842-7140
AREA OF OPERATION: Alcorn, Lee, Prentiss, Desoto Itawamba, Monroe, Pontotoc, Union, Chichasaw and Calhoun

REGION: IV
CO NAME: Wilmington Industrial
CO NAME: Development, Inc.
ADDRESS: 508 Market Street
ADDRESS: P.O. Box 1698
CITY/ST/ZIP: Wilmington NC 28402
APPROVAL DATE: 05-21-81
CERTIFICATION NO: 04-069
CONTACT: Ralph L. Godwin
TELEPHONE: (919) 763-8414
AREA OF OPERATION: City of Wilmington and County of New Hanover

REGION: V
CO NAME: Akron Small Business
CO NAME: Development Corporation
ADDRESS: 166 South High Street
ADDRESS:
CITY/ST/ZIP: Akron OH 44308
APPROVAL DATE: 05-21-81
CERTIFICATION NO: 05-077
CONTACT: Greg Balbierz
TELEPHONE: (216) 375-2133
AREA OF OPERATION: Citywide Akron

REGION: V
CO NAME: Arrowhead Regional
CO NAME: Development Corporation
ADDRESS: 200 Arrowhead Place
ADDRESS:
CITY/ST/ZIP: Duluth MN 55802
APPROVAL DATE: 06-21-82
CERTIFICATION NO: 05-240
CONTACT: Tom Mullins
TELEPHONE: (218) 722-5545
AREA OF OPERATION: Aitken,Carlton,Cook,Itasca Koochiching,Lake and St. Louis Counties

REGION: V
CO NAME: Athens Small Business
CO NAME: Center, Inc.
ADDRESS: 25 W. Washington St.
ADDRESS: Suite 10
CITY/ST/ZIP: Athens OH 45701
APPROVAL DATE: 06-21-82
CERTIFICATION NO: 05-234
CONTACT: Robert Gellatly
TELEPHONE: (614) 592-1188
AREA OF OPERATION: Athens County

REGION: V
CO NAME: Beverly Area Local
CO NAME: Development Company
ADDRESS: 9730 South Western Avenue
ADDRESS:
CITY/ST/ZIP: Chicago IL 60642
APPROVAL DATE: 06-25-81
CERTIFICATION NO: 05-047
CONTACT: Patrick Nash
TELEPHONE: (312) 233-3100
AREA OF OPERATION: Beverly Hills, Morgan Park

REGION: V
CO NAME: Bucktown Local
CO NAME: Development Corporation
ADDRESS: 1942 N. Leavitt Street
ADDRESS:
CITY/ST/ZIP: Chicago IL 60647
APPROVAL DATE: 12-17-81
CERTIFICATION NO: 05-147
CONTACT: Peter G. Poulos
TELEPHONE: (312) 489-1971
AREA OF OPERATION: Bucktown Community of Chicago

REGION: V
CO NAME: Central Upper Peninsula
CO NAME: Development Company
ADDRESS: 2415 24th Ave. South
ADDRESS:
CITY/ST/ZIP: Escanaba MI 49829
APPROVAL DATE: 04-05-82
CERTIFICATION NO: 05-209
CONTACT: Herbert Heger
TELEPHONE: (906) 786-9234
AREA OF OPERATION: Alger,Schoolcraft,Marquette, Delta,Dickinson, and Menominee Counties

REGION: V
CO NAME: Cincinnati Local
CO NAME: Development Company
ADDRESS: 415 West Court Street
ADDRESS:
CITY/ST/ZIP: Cincinnati OH 45203
APPROVAL DATE: 07-30-81
CERTIFICATION NO: 05-048
CONTACT: Fred Lazarus III
TELEPHONE: (513) 352-3481
AREA OF OPERATION: City-wide Cincinnati

REGION: V
CO NAME: City-Wide Small
CO NAME: Business Dev. Corporation
ADDRESS: Miami Valley Tower
ADDRESS: Suite 2080 40 W. 4th St.
CITY/ST/ZIP: Dayton OH 45402
APPROVAL DATE: 07-08-81
CERTIFICATION NO: 05-050
CONTACT: Michael F. Adler
TELEPHONE: (513) 226-0457
AREA OF OPERATION: City of Dayton and its environs

REGION: V
CO NAME: Cleveland Area Devel.
CO NAME: Finance Corporation
ADDRESS: 690 Union Commerce Bldg.
ADDRESS:
CITY/ST/ZIP: Cleveland OH 44115
APPROVAL DATE: 11-03-81
CERTIFICATION NO: 05-139
CONTACT: Larry Paulozzi
TELEPHONE: (216) 241-1166
AREA OF OPERATION: Cuyahoga County

REGION: V
CO NAME: Cleveland Citywide
CO NAME: Development Corporation
ADDRESS: 1501 Euclid Avenue
ADDRESS: 9th Floor
CITY/ST/ZIP: Cleveland OH 44115
APPROVAL DATE: 01-08-82
CERTIFICATION NO: 05-168
CONTACT: George V. Voinovich
TELEPHONE: (216) 664-2406
AREA OF OPERATION: City of Cleveland

REGION: V
CO NAME: Columbus Citywide
CO NAME: Development Corporation
ADDRESS: 140 Marconi Blvd.
ADDRESS: Marconi Bldg, 8th Floor
CITY/ST/ZIP: Columbus OH 43215
APPROVAL DATE: 12-14-81
CERTIFICATION NO: 05-179
CONTACT: George N. Simpson
TELEPHONE: (614) 222-6171
AREA OF OPERATION: City of Columbus

REGION: V
CO NAME: Community Development
CO NAME: Corporation of Fort Wayne
ADDRESS: 8th Floor City-Cty. Bldg.
ADDRESS: Rm. 840 Econ. Deve. Dept.
CITY/ST/ZIP: Fort Wayne IN 46802
APPROVAL DATE: 09-23-81
CERTIFICATION NO: 05-123
CONTACT: Fred Baughman
TELEPHONE: (219) 423-5104
AREA OF OPERATION: City of Fort Wayne

REGION: V
CO NAME: Coon Rapids Development
CO NAME: Company
ADDRESS: 1313 Coon Rapids Blvd.
ADDRESS:
CITY/ST/ZIP: Coon Rapids MN 55433
APPROVAL DATE: 06-29-2s
CERTIFICATION NO: 05-244
CONTACT: Michael Quigley
TELEPHONE: (612) 755-2880
AREA OF OPERATION: City of Coon Rapids

REGION: V
CO NAME: Detroit Economic Growth
CO NAME: Corp. Devel. Co.
ADDRESS: First National Building
ADDRESS: Suite 999
CITY/ST/ZIP: Detroit MI 48226
APPROVAL DATE: 03-26-82
CERTIFICATION NO: 05-192
CONTACT: Mr. Emmet Motten
TELEPHONE: (313) 963-2940
AREA OF OPERATION: City of Detroit

REGION: V
CO NAME: Detroit Shoreway
CO NAME: Comm Dev. Organization
ADDRESS: 6516 Detroit Avenue
ADDRESS:
CITY/ST/ZIP: Cleveland OH 44102
APPROVAL DATE: 06-24-81
CERTIFICATION NO: 05-091
CONTACT: The Rev. Father Frascati
TELEPHONE: (216) 961-4242
AREA OF OPERATION: City of Cleveland

REGION: V
CO NAME: Downtown Improvement
CO NAME: Corporation
ADDRESS: 4525 Indianapolis Blvd.
ADDRESS:
CITY/ST/ZIP: East Chicago IN 46312
APPROVAL DATE: 05-20-81
CERTIFICATION NO: 05-052
CONTACT: Leo Miller
TELEPHONE: (219) 392-8258
AREA OF OPERATION: Citywide in East Chicago

REGION: V
CO NAME: Duluth Business
CO NAME: Assistance Corporation
ADDRESS: 720 Medical Arts Building
ADDRESS:
CITY/ST/ZIP: Duluth MN 55802
APPROVAL DATE: 06-29-82
CERTIFICATION NO: 05-239
CONTACT: Peter Pichetti
TELEPHONE: (218) 727-8549
AREA OF OPERATION: Duluth, MN and Neighboring Municipalities

REGION: V
CO NAME: Dupage, Kane Will 503
CO NAME: Development Company
ADDRESS: 477 E. Butterfield Road
ADDRESS:
CITY/ST/ZIP: Lombard IL 60148
APPROVAL DATE: 12-17-81
CERTIFICATION NO: 05-125
CONTACT: John Moran
TELEPHONE: (312) 963-9298
AREA OF OPERATION: Dupage, Kane and Will Counties

REGION: V
CO NAME: East Toledo Local
CO NAME: Development Corporation
ADDRESS: 222 Main Street
ADDRESS:
CITY/ST/ZIP: Toledo OH 43605
APPROVAL DATE: 05-05-82
CERTIFICATION NO: 05-212
CONTACT: Richard Duvall
TELEPHONE: (419) 698-2310
AREA OF OPERATION: East Toledo Ohio

REGION: V
CO NAME: Elkhart Local Development
CO NAME: Corporation
ADDRESS: 514 South Main
ADDRESS:
CITY/ST/ZIP: Elkhart IN 46516
APPROVAL DATE: 05-20-81
CERTIFICATION NO: 05-061
CONTACT: Keith Meade
TELEPHONE: (219) 293-1534
AREA OF OPERATION: Elkhart County

REGION: V
CO NAME: Faribault Industrial
CO NAME: Corporation
ADDRESS: 228 Central Avenue
ADDRESS: P.O. box 434
CITY/ST/ZIP: Faribault MN 55021
APPROVAL DATE: 05-20-82
CERTIFICATION NO: 05-225
CONTACT: Richard Graf
TELEPHONE: (507) 334-8320
AREA OF OPERATION: City of Faribault

REGION: V
CO NAME: Forward Development
CO NAME: Corporation
ADDRESS: 1101 Beach Street
ADDRESS:
CITY/ST/ZIP: Flint MI 48502
APPROVAL DATE: 10-05-80
CERTIFICATION NO: 05-007
CONTACT: Anthony Schifano
TELEPHONE: (313) 257-3010
AREA OF OPERATION: Genesee County

REGION: V
CO NAME: Gary City-Wide
CO NAME: Development Corporation
ADDRESS: 504 Broadway Room 629
ADDRESS:
CITY/ST/ZIP: Gary IN 46402
APPROVAL DATE: 09-23-81
CERTIFICATION NO: 05-126
CONTACT: Leonard Pryweller
TELEPHONE: (219) 883-9691
AREA OF OPERATION: Citywide Gary

REGION: V
CO NAME: Grand Rapids Local
CO NAME: Development Corporation
ADDRESS: 17 Fountain Street, N.W.
ADDRESS:
CITY/ST/ZIP: Grand Rapids MI 49503
APPROVAL DATE: 01-12-81
CERTIFICATION NO: 05-038
CONTACT: Jay Kilpatrick
TELEPHONE: (616) 459-7221
AREA OF OPERATION: Citywide Grand Rapids

REGION: V
CO NAME: Greater Gratiot
CO NAME: Development, Inc.
ADDRESS: 215 East Center Street
ADDRESS:
CITY/ST/ZIP: Ithaca MI 48847
APPROVAL DATE: 12-29-81
CERTIFICATION NO: 05-169
CONTACT: Jim Hundiak
TELEPHONE: (517) 875-2083
AREA OF OPERATION: Gratiot County

REGION: V
CO NAME: Greater Kenosha
CO NAME: Development Corporation
ADDRESS: 611-56th Street
ADDRESS: Room 202
CITY/ST/ZIP: Kenosha WI 53140
APPROVAL DATE: 07-08-81
CERTIFICATION NO: 05-097
CONTACT: Kathleen Venturelli
TELEPHONE: (414) 656-6064
AREA OF OPERATION: Citywide Kenosha

REGION: V
CO NAME: Greater Muskegon
CO NAME: Industrial Fund, Inc.
ADDRESS: 400 Terrace Plaza
ADDRESS:
CITY/ST/ZIP: Muskegon MI 49443
APPROVAL DATE: 02-26-82
CERTIFICATION NO: 05-177
CONTACT: William C. Eyke, Jr.
TELEPHONE: (616) 722-2671
AREA OF OPERATION: Muskegon County

REGION: V
CO NAME: Greater North-Pulaski
CO NAME: Local Development Corp.
ADDRESS: 4054 West North Avenue
ADDRESS:
CITY/ST/ZIP: Chicago IL 60639
APPROVAL DATE: 06-24-81
CERTIFICATION NO: 05-087
CONTACT: John M. Sevcik
TELEPHONE: (312) 384-7074
AREA OF OPERATION: Chicago Ave. S., Belmont Ave. N., Western Ave. E., Cicero Ave. W.

REGION: V
CO NAME: Greater Southwest Local
CO NAME: Development Corporation
ADDRESS: 6249 Southwestern Avenue
ADDRESS:
CITY/ST/ZIP: Chicago IL 60656
APPROVAL DATE: 01-16-81
CERTIFICATION NO: 05-045
CONTACT: Lynn Wnningham
TELEPHONE: (312) 436-1000
AREA OF OPERATION: City of Chicago

REGION: V
CO NAME: Kalamazoo Small Business
CO NAME: Development Corporation
ADDRESS: 241 West South Street
ADDRESS:
CITY/ST/ZIP: Kalamazoo MI 49007
APPROVAL DATE: 09-23-81
CERTIFICATION NO: 05-121
CONTACT: Jim McIntyre
TELEPHONE: (616) 385-8050
AREA OF OPERATION: Within City of Kalamazoo

REGION: V
CO NAME: Lawndale Local
CO NAME: Development
ADDRESS: 3210 West Arthington St.
ADDRESS:
CITY/ST/ZIP: Chicago IL 60624
APPROVAL DATE: 08-10-81
CERTIFICATION NO: 05-106
CONTACT: Pat Bell
TELEPHONE: (312) 265-8500
AREA OF OPERATION: Bound by (S) 22nd St., (N) Harrison Ave., (E) Western Ave (W) City Limits

REGION: V
CO NAME: Lawrence Avenue
CO NAME: Development Corporation
ADDRESS: 3446 W. Lawrence Avenue
ADDRESS:
CITY/ST/ZIP: Chicago IL 60625
APPROVAL DATE: 01-12-81
CERTIFICATION NO: 05-033
CONTACT: Kim Otto
TELEPHONE: (312) 463-5420
AREA OF OPERATION: Albany Park (Area of Chicago)

REGION: V
CO NAME: Madison Development
CO NAME: Corporation
ADDRESS: 23 North Pinckney Street
ADDRESS:
CITY/ST/ZIP: Madison WI 53703
APPROVAL DATE: 12-17-81
CERTIFICATION NO: 05-152
CONTACT: Steve Peterson
TELEPHONE: (608) 256-2799
AREA OF OPERATION: City of Madison

REGION: V
CO NAME: Mahoning Valley Economic
CO NAME: Development Corporation
ADDRESS: 3200 Belmont Avenue
ADDRESS:
CITY/ST/ZIP: Youngstown OH 44505
APPROVAL DATE: 09-23-81
CERTIFICATION NO: 05-122
CONTACT: Joe Burley
TELEPHONE: (216) 759-3668
AREA OF OPERATION: Mahoning and Trumbull Counties

REGION: V
CO NAME: Marathon County Certified
CO NAME: Development Company, Inc.
ADDRESS: 427 4th Street,
ADDRESS: P.O. Box 569
CITY/ST/ZIP: Wausau WI 54401
APPROVAL DATE: 05-05-82
CERTIFICATION NO: 05-217
CONTACT: John Slayton
TELEPHONE: ( ) 675-3311
AREA OF OPERATION: Marathon County

REGION: V
CO NAME: Metropolitan Growth &
CO NAME: Development Corporation
ADDRESS: One Parkland Boulevard
ADDRESS: Suite 715 West
CITY/ST/ZIP: Dearborn MI 48126
APPROVAL DATE: 03-11-81
CERTIFICATION NO: 05-056
CONTACT: Robert Fitzpatrick
TELEPHONE: (313) 336-3306
AREA OF OPERATION: Wayne County

REGION: V
CO NAME: Metropolitan Small
CO NAME: Business Assistance Corp.
ADDRESS: Room 316 Civic Center
ADDRESS: Complex
CITY/ST/ZIP: Evansville IN 47708
APPROVAL DATE: 05-21-81
CERTIFICATION NO: 05-070
CONTACT: Steve Brooks
TELEPHONE: (812) 426-5534
AREA OF OPERATION: City of Evansville and environs

REGION: V
CO NAME: Midland County 503
CO NAME: Corporation
ADDRESS: 300 Rodd Street
ADDRESS:
CITY/ST/ZIP: Midland MI 48640
APPROVAL DATE: 05-14-82
CERTIFICATION NO: 05-181
CONTACT: Carlton Johansson
TELEPHONE: ( ) 839-0341
AREA OF OPERATION: Midland County

REGION: V
CO NAME: Milwaukee Economic
CO NAME: Development Corporation
ADDRESS: 734 North 9th Street
ADDRESS:
CITY/ST/ZIP: Milwaukee WI 53233
APPROVAL DATE: 05-20-81
CERTIFICATION NO: 05-044
CONTACT: Evelyn Beale
TELEPHONE: (414) 278-2685
AREA OF OPERATION: City of Milwaukee

REGION: V
CO NAME: Montgomery Co. Business
CO NAME: Development Corporation
ADDRESS: 1700 Miami Valley Tower
ADDRESS: 40 West 4th Street
CITY/ST/ZIP: Dayton OH 45402
APPROVAL DATE: 04-07-82
CERTIFICATION NO: 05-200
CONTACT: Martha T. Freedman
TELEPHONE: (513) 225-6328
AREA OF OPERATION: Montgomery County, Ohio

REGION: V
CO NAME: Oshkosh Commercial
CO NAME: Development Corporation
ADDRESS: P.O. Box 280
ADDRESS: 120 Jackson Street
CITY/ST/ZIP: Oshkosh WI 54902
APPROVAL DATE: 11-19-81
CERTIFICATION NO: 05-138
CONTACT: Fintan Flanagan
TELEPHONE: (414) 235-3000
AREA OF OPERATION: Winnebago County

REGION: V
CO NAME: Peoria Economic
CO NAME: Development Association
ADDRESS: 331 Fulton Street
ADDRESS: Suite 405
CITY/ST/ZIP: Peoria IL 61602
APPROVAL DATE: 05-20-82
CERTIFICATION NO: 05-203
CONTACT: Alexandre Little
TELEPHONE: (309) 674-5800
AREA OF OPERATION: citywide in Peoria

REGION: V
CO NAME: Region Nine Development
CO NAME: Corporation
ADDRESS: 410 S. Fifth Street
ADDRESS: P.O. Box 3367
CITY/ST/ZIP: Mankato MN 56001
APPROVAL DATE: 06-29-82
CERTIFICATION NO: 05-249
CONTACT: Paul R. Hadley
TELEPHONE: (507) 387-5646
AREA OF OPERATION: Blue Earth,Brown,Faribault,
Le Sueur,Martin,Nicollet,
Sibley,Waseca and Watonwan Cts

REGION: V
CO NAME: Saint Paul 503
CO NAME: Development Company
ADDRESS: 25 West Fourth Street
ADDRESS:
CITY/ST/ZIP: St. Paul MN 55102
APPROVAL DATE: 02-04-82
CERTIFICATION NO: 05-174
CONTACT: William L. Wilson
TELEPHONE: (612) 292-6155
AREA OF OPERATION: City of St. Paul

REGION: V
CO NAME: Scioto Economic Develop.
CO NAME: Corporation, Inc.
ADDRESS: Scioto County Courthouse
ADDRESS: P.O. Drawer 1606
CITY/ST/ZIP: Portsmouth OH 45662
APPROVAL DATE: 12-18-81
CERTIFICATION NO: 05-167
CONTACT: Robert Newman
TELEPHONE: (614) 354-7779
AREA OF OPERATION: Scioto, Adams, Pike, Jackson and Lawrence Counties

REGION: V
CO NAME: South Austin/Madison
CO NAME: Corporation
ADDRESS: 4 North Cicero Avenue
ADDRESS: Room 38
CITY/ST/ZIP: Chicago IL 60644
APPROVAL DATE: 02-26-82
CERTIFICATION NO: 05-182
CONTACT: Gus Rickette
TELEPHONE: (312) 626-6295
AREA OF OPERATION: North Ave., Roosevelt Rd., Hamlin, and Austin Boulevard

REGION: V
CO NAME: South Central IL Regional
CO NAME: Planning and Dev. Comm.
ADDRESS: Marion County Public
ADDRESS: Service Building
CITY/ST/ZIP: Salem IL 62881
APPROVAL DATE: 09-23-81
CERTIFICATION NO: 05-129
CONTACT: Fred Walker
TELEPHONE: (618) 548-4234
AREA OF OPERATION: Counties of Effingham, Fayette and Marion also Cities of Centralia and Wamac

REGION: V
CO NAME: South Shore Area
CO NAME: Development Corporation
ADDRESS: 7054 S. Jeffery Blvd.
ADDRESS:
CITY/ST/ZIP: Chicago IL 60649
APPROVAL DATE: 11-26-80
CERTIFICATION NO: 05-029
CONTACT: Rosalyn Averrette
TELEPHONE: (312) 288-1000
AREA OF OPERATION: South Shore Side (Cook County)

REGION: V
CO NAME: Springfield Certified
CO NAME: Development Company
ADDRESS: 204 Municipal Building
ADDRESS:
CITY/ST/ZIP: Springfield IL 62701
APPROVAL DATE: 04-09-82
CERTIFICATION NO: 05-211
CONTACT: Ralph G. Passarelli
TELEPHONE: (217) 787-3686
AREA OF OPERATION: Sangamon County, IL

REGION: V
CO NAME: The Jackson Local
CO NAME: Development Company
ADDRESS: City Hall, Eighth Floor
ADDRESS: 161 West Michigan
CITY/ST/ZIP: Jackson MI 49201
APPROVAL DATE: 06-09-81
CERTIFICATION NO: 05-027
CONTACT: Mark Ziedlow
TELEPHONE: (517) 788-4187
AREA OF OPERATION: Jackson, Michigan City Limits

REGION: V
CO NAME: Toledo Economic Planning
CO NAME: Council
ADDRESS: 425 Jefferson Avenue
ADDRESS: Room 1009
CITY/ST/ZIP: Toledo OH 43604
APPROVAL DATE: 11-03-81
CERTIFICATION NO: 05-145
CONTACT: Richard Freed
TELEPHONE: (419) 259-8498
AREA OF OPERATION: City of Toledo

REGION: V
CO NAME: Wisconsin Business Dev.
CO NAME: Finance Corpoation
ADDRESS: 123 West Washington Ave.
ADDRESS:
CITY/ST/ZIP: Madison WI 53707
APPROVAL DATE: 02-04-82
CERTIFICATION NO: 05-172
CONTACT: Darwin Nelson
TELEPHONE: (608) 267-9381
AREA OF OPERATION: Statewide except Winnebago and
Kenosha Counties

REGION: VI
CO NAME: Brownsville Local Dev.
CO NAME: Company, Inc.
ADDRESS: 940 E. Washington Street
ADDRESS:
CITY/ST/ZIP: Brownsville TX 78521
APPROVAL DATE: 03-16-82
CERTIFICATION NO: 06-186
CONTACT: Robert B. Vessetti
TELEPHONE: (512) 541-8691
AREA OF OPERATION: City-wide Brownsville and its environs

REGION: VI
CO NAME: Caprock Local Development
CO NAME: Company
ADDRESS: 1790 26th Street
ADDRESS:
CITY/ST/ZIP: Lubbock TX 79411
APPROVAL DATE: 04-07-82
CERTIFICATION NO: 06-201
CONTACT: Medlin Carpenter
TELEPHONE: (806) 762-8721
AREA OF OPERATION: Baily,Coch.Crosby,Dick.Floyd, Garza,Hale,Hockley,King,Lamb, Lubbo.Lynn,Motley,Terry,Yoakum

REGION: VI
CO NAME: First Certified Dev. Com.
CO NAME: of Corsicana, Texas
ADDRESS: P.O. Box 613, 100 Main
ADDRESS:
CITY/ST/ZIP: Corsicana TX 75110
APPROVAL DATE: 06-29-82
CERTIFICATION NO: 06-228
CONTACT: Don Mitcham
TELEPHONE: (214) 874-4711
AREA OF OPERATION: Corsicana, TX community and its environs

REGION: VI
CO NAME: New Orleans Citywide
CO NAME: Development Corporation
ADDRESS: 301 Camp Street
ADDRESS: Suite 216
CITY/ST/ZIP: New Orleans LA 70130
APPROVAL DATE: 10-31-80
CERTIFICATION NO: 06-017
CONTACT: Elizabeth Butler
TELEPHONE: (504) 524-6172
AREA OF OPERATION: City of New Orleans

REGION: VI
CO NAME: Pecan Valley Economic
CO NAME: Development District
ADDRESS: P.O. Box 1745
ADDRESS:
CITY/ST/ZIP: Brownwood TX 76801
APPROVAL DATE: 04-07-82
CERTIFICATION NO: 06-199
CONTACT: W. E. (Bill) Clemons
TELEPHONE: (915) 643-2587
AREA OF OPERATION: Coleman,Brown,Comanche,Mills, McCulloch,San Saba,Lampasas, Counties, Texas

REGION: VI
CO NAME: San Antonio Local
CO NAME: Development Corporation
ADDRESS: P.O. Box 9365
ADDRESS:
CITY/ST/ZIP: San Antonio TX 78204
APPROVAL DATE: 10-31-80
CERTIFICATION NO: 06-010
CONTACT: Narciso Cano
TELEPHONE: (512) 224-0518
AREA OF OPERATION: City of San Antonio

REGION: VI
CO NAME: Small Business Services,
CO NAME: Inc.
ADDRESS: c/o Central Texas Econ.
ADDRESS: P.O. Box 4408
CITY/ST/ZIP: Waco TX 76705
APPROVAL DATE: 04-07-82
CERTIFICATION NO: 06-202
CONTACT: Philip N. Smith
TELEPHONE: (817) 697-3581
AREA OF OPERATION: Bell,Bosque,Coryell,Falls,Hill Freestone,Hamilton,Limestone, McLennan,Milam,Navarro,Somerv.

REGION: VI
CO NAME: Texas Capital Development
CO NAME: Company, Inc.
ADDRESS: 500 North Bell Blvd.
ADDRESS: P.O. Box 1613
CITY/ST/ZIP: Cedar Park TX 78613
APPROVAL DATE: 08-10-81
CERTIFICATION NO: 06-102
CONTACT: J.A. Garrett
TELEPHONE: (512) 258-8312
AREA OF OPERATION: Statewide except Texas Panhandle

REGION: VI
CO NAME: Tulsa Economic
CO NAME: Development Corporation
ADDRESS: 707 South Houston #201
ADDRESS:
CITY/ST/ZIP: Tulsa OK 74127
APPROVAL DATE: 12-17-81
CERTIFICATION NO: 06-151
CONTACT: Ferguise Mayronne
TELEPHONE: (918) 585-8332
AREA OF OPERATION: Citywide Tulsa

REGION: VI
CO NAME: Verd-Ark-Ca Development
CO NAME: Corporation
ADDRESS: 928 North York,
ADDRESS: Suite 16
CITY/ST/ZIP: Muskogee OK 94401
APPROVAL DATE: 01-08-82
CERTIFICATION NO: 06-156
CONTACT: L. V. Watkins
TELEPHONE: (918) 683-4634
AREA OF OPERATION: Adair,Cher.,McIntosh,Muskogee,
Okmulgee,Wagoner,Mayer,Rogers,
Haskell,Sequoyah and Le Flores

REGION: VII
CO NAME: Avenue Area Incorporated
CO NAME: 503 Security National
ADDRESS: Bank Building
ADDRESS: One Security Plaza
CITY/ST/ZIP: Kansas City KS 66101
APPROVAL DATE: 01-16-81
CERTIFICATION NO: 07-030
CONTACT: Cathy Flentie
TELEPHONE: (913) 371-0065
AREA OF OPERATION: Downtown Area of Kansas City, Kansas

REGION: VII
CO NAME: Business Development
CO NAME: Corp. of Nebraska
ADDRESS: 1044 Stuart Bldg.
ADDRESS:
CITY/ST/ZIP: Lincoln NB 68508
APPROVAL DATE: 03-16-82
CERTIFICATION NO: 07-183
CONTACT: Mr. James H. Childe
TELEPHONE: (402) 474-3855
AREA OF OPERATION: Statewide

REGION: VII
CO NAME: Central Avenue Betterment
CO NAME: Association
ADDRESS: 1000 Central Avenue
ADDRESS:
CITY/ST/ZIP: Kansas City KS 66104
APPROVAL DATE: 09-17-81
CERTIFICATION NO: 07-022
CONTACT: Fred Meier
TELEPHONE: (913) 371-4511
AREA OF OPERATION: Central Avenue Community of Kansas City

REGION: VII
CO NAME: Central Ozarks
CO NAME: Development, Inc.
ADDRESS: 101 West 10th Street
ADDRESS:
CITY/ST/ZIP: Rolla MO 65401
APPROVAL DATE: 03-16-82
CERTIFICATION NO: 07-187
CONTACT: Mr. Wally Schuette
TELEPHONE: (314) 346-5692
AREA OF OPERATION: Phelps, Gasconade, Crawford Wash. Dent, Maries, Camden, Laclede, Pulaski, Miller,Morg.

REGION: VII
CO NAME: Certified Development
CO NAME: Corp. of Southwest MO
ADDRESS: 812 S. Glenstone
ADDRESS:
CITY/ST/ZIP: Springfield MO 65804
APPROVAL DATE: 06-08-81
CERTIFICATION NO: 07-085
CONTACT: R. L. Bennett
TELEPHONE: (417) 864-7540
AREA OF OPERATION: Southwest Missouri

REGION: VII
CO NAME: Corporation for Economic
CO NAME: Dev. Des Moines (The)
ADDRESS: 102 E. Grand Avenue
ADDRESS:
CITY/ST/ZIP: Des Moines IA 50307
APPROVAL DATE: 01-28-82
CERTIFICATION NO: 07-171
CONTACT: Harley L. Thornton
TELEPHONE: (515) 2183-411
AREA OF OPERATION: Citywide Des Moines

REGION: VII
CO NAME: Crossroad Economic Dev.
CO NAME: Corp. St. Charles Cty Inc
ADDRESS: 207 N. 5th Street
ADDRESS: P.O. Box 1454
CITY/ST/ZIP: St. Charles MO 63301
APPROVAL DATE: 01-16-81
CERTIFICATION NO: 07-021
CONTACT: JoAnn Barac
TELEPHONE: (314) 946-4377
AREA OF OPERATION: St. Charles, Warren, Franklin, and Lincoln Counties

REGION: VII
CO NAME: Downtown Fort Dodge
CO NAME: Development Corporation
ADDRESS: Muncipal Bldg-Planning
ADDRESS: Development
CITY/ST/ZIP: Fort Dodge IA 50501
APPROVAL DATE: 12-17-81
CERTIFICATION NO: 07-143
CONTACT: Earl C. Underbrink
TELEPHONE: (515) 573-8321
AREA OF OPERATION: Original Downtown Fort Dodge Business District

REGION: VII
CO NAME: Fort Madison Commercial
CO NAME: Development Corporation
ADDRESS: 933 Avenue H Box 277
ADDRESS:
CITY/ST/ZIP: Fort Madison IA 52627
APPROVAL DATE: 09-17-81
CERTIFICATION NO: 07-116
CONTACT: Mike Howard
TELEPHONE: (319) 372-9714
AREA OF OPERATION: Fort Madison and environs

REGION: VII
CO NAME: Green Hills Rural
CO NAME: Development, Inc.
ADDRESS: 815 Main Street
ADDRESS:
CITY/ST/ZIP: Trenton MO 64683
APPROVAL DATE: 05-27-82
CERTIFICATION NO: 07-222
CONTACT: Robert L. Allen
TELEPHONE: (314) 359-5086
AREA OF OPERATION: Nine Ctys of Caldwell,Daviess, Grundy,Harrison,Linn,Mercer, Livingston,Putnam and Sullivan

REGION: VII
CO NAME: Highland Park Local
CO NAME: Development Corporation
ADDRESS: 102 E. Grand Avenue
ADDRESS:
CITY/ST/ZIP: Des Moines IA 50307
APPROVAL DATE: 09-23-81
CERTIFICATION NO: 07-135
CONTACT: David G. Dobson
TELEPHONE: (515) 283-4161
AREA OF OPERATION: Highland Park Business District

REGION: VII
CO NAME: Iowa Business Growth
CO NAME: Company
ADDRESS: 901 Insurance Exchange
ADDRESS: Building
CITY/ST/ZIP: Des Moines IA 50309
APPROVAL DATE: 05-21-81
CERTIFICATION NO: 07-072
CONTACT: Don J. Albertsen
TELEPHONE: (515) 282-2164
AREA OF OPERATION: State of Iowa

REGION: VII
CO NAME: Kansas City Corp. for
CO NAME: Industrial Dev. (KCCID)
ADDRESS: 1102 Grand Avenue
ADDRESS: Suite 310
CITY/ST/ZIP: Kansas City MO 64106
APPROVAL DATE: 12-28-80
CERTIFICATION NO: 07-006
CONTACT: Edward G. Bruske
TELEPHONE: (816) 474-3560
AREA OF OPERATION: Kansas City

REGION: VII
CO NAME: McPherson County Small
CO NAME: Business Dev. Association
ADDRESS: 101 S. Main
ADDRESS:
CITY/ST/ZIP: McPherson KS 67460
APPROVAL DATE: 11-20-81
CERTIFICATION NO: 07-144
CONTACT: Don Reed
TELEPHONE: (316) 241-0431
AREA OF OPERATION: McPherson County

REGION: VII
CO NAME: Mid America Development
CO NAME: Corporation
ADDRESS: 3222 N. 24th Street
ADDRESS:
CITY/ST/ZIP: Omaha NE 68110
APPROVAL DATE: 05-20-81
CERTIFICATION NO: 07-063
CONTACT: William H. Dodd
TELEPHONE: (402) 451-0555
AREA OF OPERATION: Omaha - Council Bluffs
Standard Metropolitan
Statistical Area

REGION: VII
CO NAME: Mid-America, Inc.
CO NAME:
ADDRESS: 1715 Corning
ADDRESS:
CITY/ST/ZIP: Parsons KS 67357
APPROVAL DATE: 06-21-82
CERTIFICATION NO: 07-236
CONTACT: James J. Dahmen
TELEPHONE: (316) 421-6350
AREA OF OPERATION: Ten-county area in southeast
Kansas

REGION: VII
CO NAME: North Platte Development
CO NAME: Corporation
ADDRESS: 512 North Bailey
ADDRESS: P.O. Box 968
CITY/ST/ZIP: North Platte NE 69101
APPROVAL DATE: 09-17-81
CERTIFICATION NO: 07-117
CONTACT: Pat Molloy
TELEPHONE: (308) 532-4966
AREA OF OPERATION: Lincoln County

REGION: VII
CO NAME: Northeast Economic
CO NAME: Development Corporation
ADDRESS: 919 Troup
ADDRESS:
CITY/ST/ZIP: Kansas City KS 66104
APPROVAL DATE: 07-30-81
CERTIFICATION NO: 07-025
CONTACT: Gerald W. Hall
TELEPHONE: (913) 321-7200
AREA OF OPERATION: Northeast area of Kansas City

REGION: VII
CO NAME: Ottumwa Area Development
CO NAME: Corporation
ADDRESS: 106 North Court Mall
ADDRESS: Box 308
CITY/ST/ZIP: Ottumwa IA 52501
APPROVAL DATE: 12-18-81
CERTIFICATION NO: 07-161
CONTACT: William E. Jones
TELEPHONE: (515) 682-0828
AREA OF OPERATION: Corporate limits of Ottumwa

REGION: VII
CO NAME: Ozark Gateway Development
CO NAME: Inc.
ADDRESS: 2008 Sergeant - 5th Floor
ADDRESS:
CITY/ST/ZIP: Joplin MO 64801
APPROVAL DATE: 12-17-81
CERTIFICATION NO: 07-146
CONTACT: Ron Holland
TELEPHONE: (417) 781-3222
AREA OF OPERATION: Barton, Jasper, Newton, and
McDonald Counties

REGION: VII
CO NAME: Rosedale Association, Inc
CO NAME:
ADDRESS: 510 Southwest Blvd.
ADDRESS:
CITY/ST/ZIP: Kansas City KS 66103
APPROVAL DATE: 01-08-81
CERTIFICATION NO: 07-032
CONTACT: Mary Mulloy
TELEPHONE: (913) 236-5998
AREA OF OPERATION: Rosedale Community of Kansas City, Kansas

REGION: VII
CO NAME: Siouxland Economic
CO NAME: Development Corporation
ADDRESS: 626 Insurance Exchange
ADDRESS: Building
CITY/ST/ZIP: Sioux City IA 51101
APPROVAL DATE: 09-23-81
CERTIFICATION NO: 07-128
CONTACT: James S. Sherman
TELEPHONE: (712) 279-6430
AREA OF OPERATION: Woodburg, Plymouth, Cherokee, Ida and Monona Counties in Iowa

REGION: VII
CO NAME: St. Louis County Local
CO NAME: Development Company
ADDRESS: 130 S. Bemiston
ADDRESS:
CITY/ST/ZIP: Clayton MO 63105
APPROVAL DATE: 03-25-81
CERTIFICATION NO: 07-042
CONTACT: Joel D. Seigel
TELEPHONE: (314) 721-0900
AREA OF OPERATION: Throughout St. Louis County

REGION: VII
CO NAME: The Economic Dev. Corp.
CO NAME: of Jefferson County, MO
ADDRESS: P.O. Box 623
ADDRESS:
CITY/ST/ZIP: Hillsboro MO 63050
APPROVAL DATE: 04-20-82
CERTIFICATION NO: 07-204
CONTACT: Paul Moore
TELEPHONE: ( ) 789-3951
AREA OF OPERATION: Jefferson County, Missouri

REGION: VII
CO NAME: The St. Louis Local
CO NAME: Development Company
ADDRESS: 1300 Convention Plaza
ADDRESS:
CITY/ST/ZIP: St. Louis MO 63103
APPROVAL DATE: 01-06-81
CERTIFICATION NO: 07-020
CONTACT: Robert J. A. Renard
TELEPHONE: (314) 231-3500
AREA OF OPERATION: City of St. Louis

REGION: VII
CO NAME: Wichita Area Development,
CO NAME: Inc.
ADDRESS: 350 West Douglas
ADDRESS:
CITY/ST/ZIP: Wichita KS 67202
APPROVAL DATE: 06-25-81
CERTIFICATION NO: 07-178
CONTACT: A. Michael Angulo
TELEPHONE: (316) 267-6351
AREA OF OPERATION: Sedgwick County

REGION: VIII
CO NAME: Broadwater County
CO NAME: Development Corporation
ADDRESS: 415 Broadway
ADDRESS: P.O. Box 96
CITY/ST/ZIP: Townsend MT 59644
APPROVAL DATE: 05-10-82
CERTIFICATION NO: 08-206
CONTACT: Lanny White
TELEPHONE: (406) 266-3161
AREA OF OPERATION: Broadwater County, MT

REGION: VIII
CO NAME: Butte Local Development
CO NAME: Corporation
ADDRESS: P.O. Box 507
ADDRESS:
CITY/ST/ZIP: Butte MT 59703
APPROVAL DATE: 05-21-81
CERTIFICATION NO: 08-080
CONTACT: Darryl Lee
TELEPHONE: (406) 782-1263
AREA OF OPERATION: Butte Silver Bow County

REGION: VIII
CO NAME: Fargo-Cass County
CO NAME: Industrial Devel. Corp.
ADDRESS: 321 N. 4th Street
ADDRESS: P.O. Box 2443
CITY/ST/ZIP: Fargo ND 58108
APPROVAL DATE: 05-20-82
CERTIFICATION NO: 08-223
CONTACT: Perry S. Clark
TELEPHONE: (701) 237-6132
AREA OF OPERATION: Fargo-Cass County

REGION: VIII
CO NAME: Gr. Salt Lake Bus. Dist.
CO NAME: DBA Salt Lake Area CBDC
ADDRESS: 1931 East S. 11th East
ADDRESS:
CITY/ST/ZIP: Salt Lake City UT 84105
APPROVAL DATE: 05-21-81
CERTIFICATION NO: 08-067
CONTACT: Don Parker
TELEPHONE: (801) 355-3474
AREA OF OPERATION: The Salt Lake City Valley

REGION: VIII
CO NAME: Hazen Community
CO NAME: Development, Inc.
ADDRESS: Box 468
ADDRESS:
CITY/ST/ZIP: Hazen ND 58545
APPROVAL DATE: 09-17-81
CERTIFICATION NO: 08-114
CONTACT: Jim Bonnichsen
TELEPHONE: (701) 748-2152
AREA OF OPERATION: City of Hazen and environs

REGION: VIII
CO NAME: Historic 25th Street
CO NAME: Development Company (The)
ADDRESS: 252 25th Street
ADDRESS:
CITY/ST/ZIP: Ogden UT 84401
APPROVAL DATE: 08-10-81
CERTIFICATION NO: 08-103
CONTACT: Robert J. McDougal
TELEPHONE: (801) 399-8241
AREA OF OPERATION: Weber County

REGION: VIII
CO NAME: Manitou Springs
CO NAME: Development Corporation
ADDRESS: P.O. Box 72
ADDRESS:
CITY/ST/ZIP: Manitou Springs CO 80829
APPROVAL DATE: 01-06-81
CERTIFICATION NO: 08-035
CONTACT: Robert Webstern
TELEPHONE: (303) 685-9456
AREA OF OPERATION: Manitou Springs

REGION: VIII
CO NAME: Metropolitan Denver
CO NAME: Local Development Corp.
ADDRESS: 38 Broadway
ADDRESS:
CITY/ST/ZIP: Denver CO 80203
APPROVAL DATE: 05-20-81
CERTIFICATION NO: 08-064
CONTACT: Jack Machol, Jr.
TELEPHONE: (303) 722-1231.
AREA OF OPERATION: Citywide Denver and 35
counties in eastern Colorado

REGION: VIII
CO NAME: New Industries Inc.
CO NAME:
ADDRESS: 408 N. E. Main St.
ADDRESS: P. O. Box 818
CITY/ST/ZIP: Lewistown, MT 59457
APPROVAL DATE: 03-24-82
CERTIFICATION NO: 08-193
CONTACT: Mr. Pennell
TELEPHONE: (406) 538-3162
AREA OF OPERATION: Fergus County, emphasis Lewistown

REGION: VIII
CO NAME: North Dakota State
CO NAME: Development Credit Corp
ADDRESS: 513 Bismarck Ave.
ADDRESS: P. O. Box 1212
CITY/ST/ZIP: Bismarck, ND 58502
APPROVAL DATE: 04-22-82
CERTIFICATION NO: 08-194
CONTACT: W. C. Smith
TELEPHONE: (701) 223-2288
AREA OF OPERATION: Statewide

REGION: VIII
CO NAME: Old Aurora Development
CO NAME: Company
ADDRESS: 1465 Boston Street
ADDRESS:
CITY/ST/ZIP: Aurora CO 80010
APPROVAL DATE: 05-20-81
CERTIFICATION NO: 08-040
CONTACT: John Burger
TELEPHONE: (303) 344-5257
AREA OF OPERATION: City of Aurora

REGION: VIII
CO NAME: Old Colorado City
CO NAME: Development Company
ADDRESS: 2504 West Colorado Ave.
ADDRESS:
CITY/ST/ZIP: Colorado Springs CO 80904
APPROVAL DATE: 01-26-81
CERTIFICATION NO: 08-031
CONTACT: Gene S. Brent
TELEPHONE: (303) 471-6962
AREA OF OPERATION: El Paso County, Colorado

REGION: VIII
CO NAME: Provo Development Company
CO NAME:
ADDRESS: 351 West Center Street
ADDRESS:
CITY/ST/ZIP: Provo UT 84601
APPROVAL DATE: 12-17-81
CERTIFICATION NO: 08-157
CONTACT: Garth Limburg
TELEPHONE: (801) 374-1025
AREA OF OPERATION: City of Provo

REGION: VIII
CO NAME: Southern Colorado Local
CO NAME: Development Corporation
ADDRESS: 108 E. Pitkin Avenue
ADDRESS:
CITY/ST/ZIP: Pueblo CO 81004
APPROVAL DATE: 05-18-82
CERTIFICATION NO: 08-221
CONTACT: Thomas V. Autobee
TELEPHONE: ( ) 544-7133
AREA OF OPERATION: Pueblo County, Colorado

REGION: VIII
CO NAME: Western Slope Economic
CO NAME: Development Company
ADDRESS: 314 Valley Federal Plaza
ADDRESS: P.O. Box 2614
CITY/ST/ZIP: Grand Junction CO 81502
APPROVAL DATE: 05-21-81
CERTIFICATION NO: 08-076
CONTACT: Patrick J. Berry
TELEPHONE: (303) 245-3430
AREA OF OPERATION: Western Slope of Colorado

99-538 O—82——12

REGION: IX
CO NAME: Amador Economic
CO NAME: Development Corporation
ADDRESS: P.O. Box 596
ADDRESS:
CITY/ST/ZIP: Jackson CA 95642
APPROVAL DATE: 02-04-82
CERTIFICATION NO: 09-176
CONTACT: William Hunter
TELEPHONE: ( ) 223-3798
AREA OF OPERATION: County of Amador

REGION: IX
CO NAME: Arvin Development Corp.
CO NAME:
ADDRESS: 200 Campus Dr. Box 546
ADDRESS:
CITY/ST/ZIP: Arvin CA 93203
APPROVAL DATE: 09-17-81
CERTIFICATION NO: 09-115
CONTACT: Orval Wooner
TELEPHONE: (805) 854-5881
AREA OF OPERATION: Southeastern part of Kern County

REGION: IX
CO NAME: Bay Area Business
CO NAME: Development Company
ADDRESS: 410 Townsend Street
ADDRESS: Suite 408
CITY/ST/ZIP: San Francisco CA 94107
APPROVAL DATE: 05-20-82
CERTIFICATION NO: 09-224
CONTACT: Gordon J. Lau
TELEPHONE: (415) 541-0508
AREA OF OPERATION: San Fran.,Marin,Sonoma,Napa, Solano,Contra Costa,Alamedo, Santa Clara and San Mateo

REGION: IX
CO NAME: Bay Area Employment
CO NAME: Development Corporation
ADDRESS: 1500 3rd St.
ADDRESS: Suite D
CITY/ST/ZIP: Napa CA 94558
APPROVAL DATE: 05-20-81
CERTIFICATION NO: 09-058
CONTACT: Bert Otterson
TELEPHONE: (707) 257-1020
AREA OF OPERATION: Within the Assoc. of Bay Area Government's Area

REGION: IX
CO NAME: Calexico Industrial
CO NAME: Development Corporation
ADDRESS: 747 Imperial Avenue
ADDRESS:
CITY/ST/ZIP: Calexico CA 92231
APPROVAL DATE: 05-20-81
CERTIFICATION NO: 09-059
CONTACT: Bertha Rosas
TELEPHONE: (714) 357-6455
AREA OF OPERATION: City of Calexico and contiguous areas

REGION: IX
CO NAME: Crown Development Corp.
CO NAME: of King County
ADDRESS: 323 - A.N. Douty Street
ADDRESS: P.O. Box 360
CITY/ST/ZIP: Hanford CA 93232
APPROVAL DATE: 05-20-81
CERTIFICATION NO: 09-062
CONTACT: Donald Barnett
TELEPHONE: (209) 582-4326
AREA OF OPERATION: King County, California

REGION: IX
CO NAME: Economic Development
CO NAME: Corp. Los Angeles County
ADDRESS: 320 West Temple Street
ADDRESS: Room 1354
CITY/ST/ZIP: Los Angeles CA 90012
APPROVAL DATE: 01-28-82
CERTIFICATION NO: 09-170
CONTACT: Albert Dorskind
TELEPHONE: (213) 482-5222
AREA OF OPERATION: Los Angeles County

REGION: IX
CO NAME: Economic Development
CO NAME: Corp. of Shasta County
ADDRESS: 1135 Pine Street
ADDRESS: Suite 104
CITY/ST/ZIP: Redding CA 96003
APPROVAL DATE: 08-10-81
CERTIFICATION NO: 09-105
CONTACT: Virgil Cormgton
TELEPHONE: (916) 241-5361
AREA OF OPERATION: Shasta County, California

REGION: IX
CO NAME: Economic Development
CO NAME: Foundation of Sacramento
ADDRESS: 7844 Madison Avenue
ADDRESS: Suite 174
CITY/ST/ZIP: Fair Oaks CA 95628
APPROVAL DATE: 08-27-81
CERTIFICATION NO: 09-111
CONTACT: Frank Dinsmore
TELEPHONE: (916) 962-3669
AREA OF OPERATION: Sacramento and 19 other counties

REGION: IX
CO NAME: Greater Bakersfield Local
CO NAME: Development Corporation
ADDRESS: 1501 Truxton Avenue
ADDRESS:
CITY/ST/ZIP: Bakersfield CA 93301
APPROVAL DATE: 05-21-81
CERTIFICATION NO: 09-073
CONTACT: Brent Casper
TELEPHONE: (805) 322-9968
AREA OF OPERATION: The County of Kern

REGION: IX
CO NAME: Greater Mountain View
CO NAME: Local Development Corp.
ADDRESS: City Hall
ADDRESS: 540 Castro Street
CITY/ST/ZIP: Mountain View CA 94042
APPROVAL DATE: 04-22-82
CERTIFICATION NO: 09-210
CONTACT: William Haney
TELEPHONE: (415) 968-8707
AREA OF OPERATION: City of Mountain View

REGION: IX
CO NAME: HEDCO Local Development
CO NAME: Corporation
ADDRESS: 1505 Dillingham Blvd.
ADDRESS:
CITY/ST/ZIP: Honolulu HI 96817
APPROVAL DATE: 09-17-81
CERTIFICATION NO: 09-118
CONTACT: Dexter J. Taniguchi
TELEPHONE: (808) 847-6502
AREA OF OPERATION: Islands of Oahu, Kauai, Maui, and Hawaii

REGION: IX
CO NAME: La Habra Local
CO NAME: Development Company, Inc.
ADDRESS: Civic Center
ADDRESS: P.O. Box 337
CITY/ST/ZIP: La Habra CA 90631
APPROVAL DATE: 01-16-81
CERTIFICATION NO: 09-015
CONTACT: A. Edward Evans
TELEPHONE: (213) 694-1011
AREA OF OPERATION: Orange County

REGION: IX
CO NAME: Long Beach Local
CO NAME: Development Corporation
ADDRESS: 33 West Ocean Blvd.
ADDRESS: 3rd Floor
CITY/ST/ZIP: Long Beach CA 90807
APPROVAL DATE: 05-21-81
CERTIFICATION NO: 09-054
CONTACT: Regina Peterson
TELEPHONE: (213) 590-6841
AREA OF OPERATION: City of Long Beach

REGION: IX
CO NAME: Los Angeles LDC, Inc.
CO NAME: c/o City Econ.Dev. Office
ADDRESS: City Hall, Room 2008
ADDRESS: 200 North Spring Street
CITY/ST/ZIP: Los Angeles CA 90012
APPROVAL DATE: 01-06-81
CERTIFICATION NO: 09-016
CONTACT: Bradford S. Crowe
TELEPHONE: (213) 624-6753
AREA OF OPERATION: Citywide Los Angeles

REGION: IX
CO NAME: Los Medanos Fund, A Local
CO NAME: Development Company
ADDRESS: P.O. Box 1397
ADDRESS: 501 Railroad Avenue
CITY/ST/ZIP: Pittsburg CA 94565
APPROVAL DATE: 01-06-81
CERTIFICATION NO: 09-026
CONTACT: Richard Berger
TELEPHONE: (415) 439-1056
AREA OF OPERATION: City of Pittsburg

REGION: IX
CO NAME: Phoenix Local Development
CO NAME: of Phoenix, AZ.
ADDRESS: 285 King Hwy
ADDRESS: P. O. Box 911
CITY/ST/ZIP: Phoenix AZ 85003
APPROVAL DATE: 03-26-82
CERTIFICATION NO: 09-188
CONTACT: Mr. Brian Aby
TELEPHONE: (602) 262-7158
AREA OF OPERATION: Citywide Phoenix

REGION: IX
CO NAME: Reseda Local Development
CO NAME: Corporation
ADDRESS: 6850 Canby Avenue
ADDRESS: Suite 107
CITY/ST/ZIP: Reseda CA 91335
APPROVAL DATE: 09-23-81
CERTIFICATION NO: 09-127
CONTACT: Thomas A. Howard
TELEPHONE: (213) 996-6035
AREA OF OPERATION: Central Business District

REGION: IX
CO NAME: San Diego County Local
CO NAME: Development Corporation
ADDRESS: 4262 Market Street
ADDRESS:
CITY/ST/ZIP: San Diego CA 92102
APPROVAL DATE: 12-29-80
CERTIFICATION NO: 09-024
CONTACT: Arthur Goodman
TELEPHONE: (714) 263-6123
AREA OF OPERATION: City of San Diego

REGION: IX
CO NAME: San Francisco Industrial
CO NAME: Development Fund
ADDRESS: 480 McAllister Street
ADDRESS:
CITY/ST/ZIP: San Francisco CA 94102
APPROVAL DATE: 01-16-81
CERTIFICATION NO: 09-036
CONTACT: Richard Goblirsch
TELEPHONE: (415) 621-8225
AREA OF OPERATION: City & County of San Francisco

REGION: IX
CO NAME: Southern California
CO NAME: Employment Dev. Company
ADDRESS: 3250 Ocean Park Blvd.
ADDRESS:
CITY/ST/ZIP: Santa Monica CA 90404
APPROVAL DATE: 09-23-81
CERTIFICATION NO: 09-130
CONTACT: Charles Tatum
TELEPHONE: (213) 450-7147
AREA OF OPERATION: Counties of Ventura, Los Angeles, Orange, Riverside and Santa Barbara

REGION: IX
CO NAME: Tucson Local Development
CO NAME: Corporation
ADDRESS: 250 W. Alameda
ADDRESS: P.O. Box 27210
CITY/ST/ZIP: Tucson AZ 85726
APPROVAL DATE: 12-30-80
CERTIFICATION NO: 09-013
CONTACT: Kendall Bert
TELEPHONE: (602) 791-4505
AREA OF OPERATION: Tucson and adjacent area

REGION: IX
CO NAME: Union of Small Cities
CO NAME: Corporation
ADDRESS: 2006 N. Fine, Suite 104
ADDRESS:
CITY/ST/ZIP: Fresno CA 93727
APPROVAL DATE: 07-30-81
CERTIFICATION NO: 09-101
CONTACT: Dean Cransord
TELEPHONE: (209) 252-9517
AREA OF OPERATION: Fresno,Kings,Tulare,Madera, Merced,Stanisl.,S.Joaquin,Sac. S.Luis,Obispo,Motery S.Barbara

REGION: IX
CO NAME: West Contra Costa Local
CO NAME: Development Company
ADDRESS: P.O.D
ADDRESS:
CITY/ST/ZIP: ElCerrito CA 94802
APPROVAL DATE: 05-20-81
CERTIFICATION NO: 09-066
CONTACT: Lindy Hahn
TELEPHONE: (415) 234-4426
AREA OF OPERATION: Contra Costa and Alameda Counties

REGION: X
CO NAME: C.C.D.Business
CO NAME: Development Corporation
ADDRESS: 744 S. E. Rose Street
ADDRESS:
CITY/ST/ZIP: Roseburg OR 97470
APPROVAL DATE: 07-30-81
CERTIFICATION NO: 10-046
CONTACT: Tony Kuhn
TELEPHONE: (503) 672-6728
AREA OF OPERATION: State of Oregon, except Multnomah County area

REGION: X
CO NAME: East-Central Idaho
CO NAME: Development Company
ADDRESS: 12 North Center Street
ADDRESS: P.O. Box 330
CITY/ST/ZIP: Rexburg ID 83440
APPROVAL DATE: 05-20-82
CERTIFICATION NO: 10-220
CONTACT: Thomas F. Loertscher
TELEPHONE: ( ) 356-4525
AREA OF OPERATION: Bonneville,Butte,Clark,Custer, Fremont,Jefferson,Lemhi, Madison and Teton Counties

REGION: X
CO NAME: Evergreen Community
CO NAME: Development Association
ADDRESS: 818 Smith Tower
ADDRESS:
CITY/ST/ZIP: Seattle WA 98104
APPROVAL DATE: 01-05-81
CERTIFICATION NO: 10-011
CONTACT: James McDonald
TELEPHONE: (205) 625-4530
AREA OF OPERATION: State of Washington except Garfield County

REGION: X
CO NAME: Greater Spokane Business
CO NAME: Development Association
ADDRESS: W. 808 Spokane Fall Blvd.
ADDRESS:
CITY/ST/ZIP: Spokane WA 99201
APPROVAL DATE: 09-23-81
CERTIFICATION NO: 10-132
CONTACT: Jean Silver
TELEPHONE: (509) 456-4309
AREA OF OPERATION: State of Washington except Pacific County

APPENDIX D

U.S. Small Business Administration
Finance and Investment
Office of Lender Relations and Certification
Financial Assistance Division

September 1982

SBA

CDC Quarterly Review

Certified Development Company Program Quarterly Review for the Third Quarter

SUMMARY

The following information summarizes the activity of the 503 Program during the Third Quarter of FY 82, FY 82 To Date and the total program activity since its inception in FY 81

THIRD QUARTER FISCAL YEAR 1982 (APRIL 1 thru JUNE 30)

. 46 CDCs were certified.

. 60 CDCs have at least one approved 503 loan.

. 24 CDCs have more than one approved 503 loan.

. 503 loans resulted in 5,317 employment opportunities (jobs created and retained) The average SBA investment per employment was $4,006.

. 66 % of 503 approvals and 71 % of guaranty authority were in the manufacturing and wholesale/retail industries.

. 65 debentures for $10,390,000 were sold to the Federal Financing Bank.

FISCAL YEAR 1982 TO DATE (October 1 thru June 30)

. 105 CDCs were certified.

. 89 CDCs have at least one approved 503 loan.

. 56 CDCs have more than one approved 503 loan.

. 503 loans resulted in 12,359 employment opportunities (jobs created and retained) The average SBA investment per employment was $3,981.

. 61 % of 503 approvals and 64 % of guaranty authority were in the manufacturing and wholesale/retail industries.

. 165 debentures for $28,999,000 were sold to the Federal Financing Bank.

TOTAL ACTIVITY TO DATE (FY 81 to PRESENT)

. 239 CDCs were certified.

. 102 CDCs have at least one approved 503 loan.

. 74 CDCs have more than one approved 503 loan.

. 503 loans resulted in 19,223 employment opportunities (jobs created and retained) The average SBA investment per employment was $4,365.

. 64 % of 503 approvals and 68 % of guaranty authority were in the manufacturing and wholesale/retail industries.

. 200 debentures for $34,205,000 were sold to the Federal Financing Bank.

PROGRAM DEVELOPMENTS AND GUIDANCE

FINAL RULES AND REGULATIONS

SMALL BUSINESS ADMINISTRATION
13 CFR Part 108

The following regulations on eligibility requirements for Certified Development Companies were effective as of August 10, 1982.

s 108.503-1 Eligibility Requirements.

SBA is authorized to guarantee the timely payment of all principal and interest as scheduled on any debenture issued by any qualified development company. The full faith and credit of the United States is pledged to the payments of all amounts so guaranteed. Such debentures (herein sometimes referred to as 503 debentures) will be issued within certain limits solely for the purpose of assisting identifiable small business concerns to finance plant acquisition, construction, conversion, or expansion, including the acquisition of land. Plant construction includes the acquisition and installation of machinery and equipment. For the purpose of this section, development companies qualified to participate in this program (herein sometimes referred to as "503 companies") shall be formally certified by SBA on the terms and conditions contained herein, consistent with the intent of Congress. To qualify, a development company must demonstrate to the satisfaction of SBA, the following:

(a) * * *

(b) Area of Operations. A 503 company shall not be certified to operate in more than one state, except that a 503 company may operate within two States if (i) a State line bisects a city, in which case the 503 company may operate city-wide or (ii) the 503 company has obtained prior written approval to operate within a contiguous economic area, as determined by SBA, which crosses a State line.

(c) Membership. The 503 company must be representative of the state, or subdivision thereof, in which the company operates. Evidence of a 503 company representation shall include the following:

(1) The 503 company must have at least 25 individual members or stockholders that are representative of its area of operation. No member or stockholder may own or control more than ten percent of the development company's stock or voting membership.

(2) The membership must include representation from each of the following four groups, except that government representation may be by other than membership.

(i) Government. Representation from the appropriate level of government that reflects the 503 development company's area of operation. For example, 503

development companies operating on a statewide basis must have representation from an economic development agency of the state government. Countywide or multi-county 503 companies must have government representation that ensures that each county is represented. Citywide 503 development companies must have representation from the city government.

(ii) Private Lending Institutions;

(iii) Community Organizations;

(iv) Business Organizations;

(3) At least one private lending institution must be represented on the board of directors.

(4) Any 503 development companies which do not meet the above requirements shall do so on or before one year from August 10, 1982.

All CDCs which do not currently meet the regulations set forth in Part 108.503-1(c) shall be required to do so on or before one year from August 10, 1982. Such CDCs shall be required to provide the SBA district or branch office with the appropriate documentation evidencing compliance within the time frame stated above. The field, upon receipt of such compliance shall retain a copy and forward the original through Region to Central Office (Director, Office of Lender Relations & Certification).

Since the regulation grants a one-year compliance term for "503 development companies" only and no company can be a 503 development company prior to certification, all applicant development companies which have not received certification prior to August 10, 1982, shall be required to immediately comply with the appropriate provisions of the regulations. The field shall review all applications in-house and notify the respective applicants of their need to comply with the amended regulations. Central Office shall follow the same procedures for applications currently being processed in Washington.

CDC REPORTING REQUIREMENTS

Attachment A is the report the Central Fiscal Agent sends to the CDCs on a monthly basis updating the status of each loan in the CDC's portfolio. Pursuant to paragrpah 52 (b) (1) of SOP 50 22, CDCs are required, on a quarterly basis, to submit to the SBA District or Branch Office - Portfolio Management Section, a copy of such reports for the quarters ended December 31, March 31, June 30, and September 30. The CDCs shall be required to provide written comments on each loan in the report submited to SBA that is not current & identify what action they intend to pursue to rectify such accounts. The report must be signed by an authorized CDC representative and is due in the appropriate SBA field office within 25 calendar days following the end of each quarter. Submission of these reports by CDCs will be strictly enforced by the SBA field office.

Attachment B is the Annual Report to be submitted by CDCs to the appropriate SBA District or Branch Office, on or before the last day of the third month following the end of the fiscal year (October 1 through September 30). It is important that the Annual Report be submitted in accordance with the procedures set forth in paragraph 9 of SOP 50 22.

Please note that SBA field offices may request from the CFA copies of reports that are prepared and sent to the CDCs on a monthly, quarterly or semiannual basis.

ATTACHMENT A

CDC MONTHLY REPORT

_____

NAME OF CDC

NAME OF SMALL BUSINESS CONCERN	CURRENT ZERO TO 29 DAYS	PAST DUE 30 TO 60 DAYS	DELINQUENT OVER 60 DAYS	DEFAULT	PAID IN FULL
1.					
2.					
3.					
4.					
5.					
6.					
7.					
8.					
9.					
10.					

(Check Appropriate Status for each small business)

CURRENT			PAST DUE			DELINQUENT			DEFAULT			PAID IN FULL		
#	$	%	#	$	%	#	$	%	#	$	%	#	$	%

ATTACHMENT B

OMB Approval No. 3245-0074
Expiration Date 1/31/84

SECTION 503 CERTIFIED DEVELOPMENT COMPANY PROGRAM

ANNUAL REPORT GUIDE

I. Introduction

Certified Development Companies are to submit to SBA annual reports on their operations. When requested by SBA, interim reports of a similar nature shall be required. Such reports are to be prepared in accordance with the instructions and attachments set forth in this Guide.

This Guide provides instructions for the preparation of the Annual Report. The report has been prescribed to provide standard reporting requirements and to insure that uniform and comparable data is rendered to SBA by all Certified Development Companies in a timely manner.

II. Organization of the Annual Report

The Annual Report is comprised of three parts: Financial Report (Part I), Management Report (Part II) and Operating Report (Part III). The Financial Report will include the Certified Development Company's financial statements and will be the basis for the audits as provided by the independent public accountant. The statement will include the following:

1) Balance Sheet - Part I, Exhibit A

2) Income Statement - Part I, Exhibit B

3) Reconciliation of Surplus - Part I, Exhibit C

The Management Report is designed to provide analytical data on the impact of the Certified Development Company's assistance to small business and a summary on the status of its portfolio. Accordingly, the auditor's opinion is not expected to extend to this management report.

OMB Approval No. 3245-0074
Expiration Date 1/31/84

This report will include:

1) A summary of the Certified Development Company's loan activity and impact on its portfolio concern. (Part II, Exhibit A)

2) Analytical data on each portfolio concern. (Part II, Exhibit B)

The Operating Report is intended to provide information on the Certified Development Company that will ensure that the company's membership and method of operations are consistent with the intent of the Certified Development Company Program. Accordingly, this report will contain the following information:

1) The name, address, occupation and telephone number for:

   (a) Each officer and director

   (b) Each member/stockholder with the percentage of ownership or voting control of each

   (c) Each individual who provides staff functions pursuant to section 108.503 - 1(a), as well as the fees charged for each service performed or under contract. Part III, Exhibit A

2) A detailed narrative report on the activities and assistance the certified development company has been involved with during the course of the Fiscal Year. Part III, Exhibit B

3) A statement providing notification of any changes in the board or membership of the Certified Development Company during the course of the full Fiscal Year. Part III, Exhibit C

4) A summary of the minutes from its Board of Director meetings. Part III, Exhibit D

III. Reporting Requirements

The Annual Report shall be filed in duplicate with the SBA field office servicing the area in which the CDC is located, on or before the last day of the third month following the end of the fiscal year and in the case of interim reports, within the period stated in the SBA request. In accordance with the provisions of the Freedom of Information Act, the information contained in the Annual Report will be held in strict confidence by SBA.

OMB Approval NO. 3245-0074
Expiration Date 1/31/84

MANAGEMENT SUMMARY

Summary of Certified Development Company Loan Activity
For the Fiscal Year Ending September 30, 19___)

Name of Certified Development Company

Street Address, City and State, Zip Code Telephone Number

President or Chief Executive Officer Telephone Number

A. Job Impact Data on Approved 503 Loans

1. Total No. of Loans
2. Total No. of Minority Loans
3. Total No. of Full-Time Employees
4. Total No. of Part-Time Employees
5. Total No. of New Businesses Assisted
6. Total No. of Existing Businesses Assisted

B. 503 Loans Approved/Debentures Funded

1.	Total No. of Approvals	$
2.	Total Debenture Share	$
3.	Total Private Sector Share	$
4.	Total CDC Share	$
5.	Total SBC Share	$
6.	Other (_____)	$
7.	Total	$

C. Status of Portfolio (503 Loans Approved/Debentures Funded)

	Number	Percent of Total
1. Current (Zero to 29 days)		
2. Past Due (30 to 60 days)		
3. Delinquent (Over 60 days)		
4. Default		
5. Paid in Full		

6. Total Outstanding Balance on Debenture Proceeds $

D. Certified Development Company Fee Income

1. Total Amount of Processing Fees Received $
2. Total Amount of Servicing Fees Received $

SBA Form 1253A (5-82) Ref. SOP 50-22

OMB Approval No. 3245-0074
Expiration Date 1/31/84

MANAGEMENT REPORT

Impact Data on Each Small Business Concern Receiving Assistance
Report for the Fiscal Year Ending September 30, 19___

_____
Name of Certified Development Company

_____
Street Address, City and State, Zip Code

_____
Name of Small Business Concern

_____
Street Address, City and State, Zip Code

_____

A. SBA Loan/Debenture

1. Loan Number _____
2. Date of Loan _____
3. Date of Maturity _____
4. Amount of Loan _____
5. Status of Loan _____
(Current, Past Due, Etc.)

B. Private Sector Loan

1. Date of Loan _____
2. Date of Maturity _____
3. Amount of Loan _____
4. Source of Loan _____
(Bank, S&L, etc.)

C. CDC/SBC Financing

1. Amount of CDC Injection _____
2. Amount of SBC Financing _____
3. Amount of Other
Financing (Identify)(_____ ___)_____

D. SBC Employment	efore Loan	Each Year after the Loan
1. Number of Full-Time Employees	_____	_____
2. Number of Part-Time Employees	_____	_____

SBA Form 1253 B (5-82) Ref. SOP 50-22

OMB Approval No. 3245-0074
Expiration Date 1/31/84

MANAGEMENT REPORT

Impact Data on Each Small Business Concern Receiving Assistance
Report for the Fiscal Year Ending September 30, 19___

_____
Name of Certified Development Company

_____
Street Address, City and State, Zip Code

_____
Name of Small Business Concern

_____
Street Address, City and State, Zip Code

_____

A. SBA Loan/Debenture

1. Loan Number _____
2. Date of Loan _____
3. Date of Maturity _____
4. Amount of Loan _____
5. Status of Loan _____
(Current, Past Due, Etc.)

B. Private Sector Loan

1. Date of Loan _____
2. Date of Maturity _____
3. Amount of Loan _____
4. Source of Loan _____
(Bank, S&L, etc.)

C. CDC/SBC Financing

1. Amount of CDC Injection _____
2. Amount of SBC Financing _____
3. Amount of Other
Financing (Identify)(_____)_____

D. SBC Employment	Before Loan	Each Year after the Loan
1. Number of Full-Time Employees	_____	_____
2. Number of Part-Time Employees	_____	_____

TABLES

CERTIFICATION

TABLE I - CERTIFICATION AND LOAN ACTIVITY

LOAN APPROVALS

TABLE II - LOAN APPROVALS

TABLE III - EMPLOYMENT OPPORTUNITIES

TABLE IV - TYPE OF INDUSTRY

TABLE V - TYPE OF INDUSTRY BY REGION

TABLE VI - NON-MINORITY ANALYSTS BY REGION

TABLE VII - LOAN APPROVALS BY STATE

TABLE VIII - LOAN APPROVAL BY CDC

TABLE IX - EMPLOYMENT OPPORTUNITIES PER CDC

FUNDING ACTIVITIES

TABLE X - MONTHLY FUNDING SUMMARY ON 503 DEBENTURES

TABLE XI - FUNDING OF CDCS

TABLE XII - QUARTERLY STATUS REPORT ON THE 503 PORTFOLIO

TABLE I

CERTIFICATION ACTIVITY

REGIONS	THIRD QUARTER FY 82 CDCS APPROVED	TOTAL CDCS APPROVED THRU THIRD QUARTER FY 82
I	1	35
II	3	21
III	8	21
IV	7	31
V	13	52
VI	4	10
VII	3	26
VIII	4	15
IX	2	24
X	1	4
TOTAL	46	239

TOTAL LOAN ACTIVITY IN FY 82

REGIONS	CDCS WITH AT LEAST ONE APPROVED LOAN DURING THIRD QUARTER FY 82	CDCS WITH MORE THAN ONE APPROVED LOAN DURING THIRD QUARTER FY 82	CDCS WITH AT LEAST ONE APPROVED LOAN IN FY 82	CDCS WITH MORE THAN ONE APPROVED LOAN IN FY 82
I	13	5	18	11
II	5	2	6	4
III	1	0	2	2
IV	4	1	9	3
V	18	7	22	14
VI	3	2	4	4
VII	6	2	9	5
VIII	-	-	3	1
IX	9	4	14	10
X	1	1	2	2
TOTAL	60	24	89	56

TOTAL LOAN ACTIVITY TO DATE (FY '81 THRU FY '82)

REGIONS	CDCS WITH AT LEAST ONE APPROVED LOAN TO DATE	CDCS WITH MORE THAN ONE APPROVED LOAN TO DATE	THROUGH 3RD QUARTER FY 82 CDCS IN PROGRAM AT LEAST ONE YEAR WITH NO APPROVED 503 LOANS
I	19	15	4
II	9	5	2
III	6	4	3
IV	9	5	3
V	23	17	6
VI	4	4	-
VII	10	7	2
VIII	3	1	4
IX	17	14	1
X	2	2	-
TOTAL	102	74	25

99-538 O—82——14

TABLE II

LOAN APPROVAL ACTIVITY
THIRD QUARTER FY 82

REGIONS	#	%	$	%
I	18	15	$ 2.7	13
II	8	6	1.1	5
III	1	1	.3	1
IV	5	4	.5	2
V	35	28	6.2	29
VI	12	10	1.8	9
VII	13	10	1.1	5
VIII	NO ACTIVITY	-	-	-
IX	25	20	6.3	30
X	7	6	1.3	6
TOTAL	124	100	$21.3	100

TOTAL FY 82 TO DATE

I	55	19	$ 8.3	17
II	18	6	2.6	5
III	10	3	1.1	2
IV	16	5	2.1	4
V	73	24	11.5	23
VI	22	7	4.3	9
VII	30	10	3.0	6
VIII	5	2	.5	1
IX	55	19	12.6	26
X	15	5	3.2	7
TOTAL	299	100	$49.2	100

TOTAL ACTIVITY TO DATE

I	97	20	$14.6	17
II	27	6	5.1	6
III	25	5	3.4	4
IV	27	6	2.9	3
V	98	20	15.9	19
VI	27	6	4.9	6
VII	56	10	5.5	7
VIII	5	1	.5	1
IX	97	20	24.9	30
X	27	6	6.1	7
TOTAL	486	100	$83.8	100

TABLE III

EMPLOYMENT OPPORTUNITIES

THIRD QUARTER FY 82

REGION	$	EMPLOYMENT #	EMPLOYMENT %	AVERAGE COST PER EMPLOYMENT OPPORTUNITY
I	$ 2.7	907	17	$ 2,965
II	1.1	316	7	3,600
III	.3	45	1	6,267
IV	.5	117	2	4,248
V	6.2	1,862	35	3,339
VI	1.8	545	10	3,279
VII	1.1	174	3	6,161
VIII	-	-	-	-
IX	6.3	1,182	22	5,319
X	1.3	169	3	7,751
TOTAL	$21.3	5,317	100	$ 4,006

TOTAL FY 82 TO DATE

I	$ 8.3	2,957	24	$ 2,807
II	2.6	810	6	3,210
III	1.1	461	4	2,386
IV	2.1	563	5	3,730
V	11.5	3,538	29	3,250
VI	4.3	945	8	4,550
VII	3.0	764	6	3,927
VIII	.5	22	-	22,727
IX	12.6	2,016	16	6,250
X	3.2	283	2	11,307
TOTAL	$49.2	12,359	100	$ 3,981

TOTAL ACTIVITY TO DATE

I	$14.6	4,313	22	$ 3.395
II	5.1	1.117	6	4,566
III	3.4	774	4	4,393
IV	2.9	782	4	3,708
V	15.9	4,504	23	3,330
VI	4.9	1,089	6	4,449
VII	5.5	1,260	7	4,365
VIII	.5	22	-	22,727
IX	24.9	4,770	25	5,220
X	6.1	592	3	10,304
TOTAL	$83.8	19,223	100	$ 4,359

TABLE IV

TYPE OF INDUSTRY

THIRD QUARTER FY 82

INDUSTRY	#	%	$	%	EMPLOYMENT OPPORTUNITIES	AVERAGE INVESTMENT PER EMPLOYMENT OPPORTUNY
WHOLESALE/RETAIL	41	33	$ 7.5	35	1,848	$ 4,058
MANUFACTURING	41	33	7.6	36	2,386	3,185
SERVICES	26	20	4.3	21	618	7,119
TRANSPORTATION	2	2	.5	2	239	2,092
CONSTRUCTION	7	6	.7	3	118	5,932
OTHERS	7	6	.7	3	108	6,481
TOTAL	124	100	$21.3	100	5,317	$4,006

TOTAL FY 82 TO DATE

WHOLESALE/RETAIL	98	33	$ 16.1	33	3,446	$ 4,672
MANUFACTURING	86	28	15.2	31	4,885	4,885
SERVICES	72	24	11.0	22	2,392	4,599
TRANSPORTATION	8	3	2.0	4	516	3,876
CONSTRUCTION	14	5	2.1	4	483	4,348
OTHERS	21	7	2.8	6	637	4,396
TOTAL	299	100	$ 49.2	100	12,359	$ 3,981

ACTIVITY TO DATE

WHOLESALE/RETAIL	166	34	$ 29.5	35	5,421	$ 5,442
MANUFACTURING	145	30	27.4	33	8,461	3,238
SERVICES	115	24	16.8	20	3,156	5,323
TRANSPORTATION	14	3	3.8	4	652	5,828
CONSTRUCTION	22	4	3.2	4	731	4,377
OTHERS	24	5	3.2	4	802	3,990
TOTAL	486	100	$ 83.9	100	19,223	$ 4,365

TABLE V

TYPE OF INDUSTRY BY REGION
THIRD QUARTER FY 82

INDUSTRY	#	$	EMPLOYMENT OPPORTUNITY	BUSINESS EXISTING	BUSINESS NEW
REGION I					
WHOLESALE/RETAIL	4	$ .6	119	-	4
MANUFACTURING	12	1.8	688	-	12
SERVICE	2	.3	100	-	2
TOTAL	18	$ 2.7	907	-	18
REGION II					
WHOLESALE/RETAIL	2	$ .2	59	-	2
MANUFACTURING	2	.2	102	-	2
SERVICE	2	.3	58	-	2
TRANSPORTATION	1	.4	79	-	1
OTHERS	1	.1	18	1	-
TOTAL	8	$ 1.2	316	1	7
REGION III					
WHOLESALE/RETAIL	1	$ .3	45	1	-
REGION IV					
WHOLESALE/RETAIL	1	$ .08	17	1	-
MANUFACTURING	1	.05	50	1	-
OTHERS	3	.4	50	2	1
TOTAL	5	$ .53	117	4	1
REGION V					
WHOLESALE/RETAIL	11	$ 1.3	520	4	7
MANUFACTURING	14	3.3	1,093	8	6
SERVICE	7	1.4	223	-	7
CONSTRUCTION	3	.2	26	2	1
TOTAL	35	$ 6.2	1,862	14	21
REGION VI					
WHOLESALE/RETAIL	6	$ 1.1	418	1	5
MANUFACTURING	1	.1	17	-	1
SERVICE	3	.4	76	1	2
CONSTRUCTION	1	.1	25	1	-
OTHERS	1	.08	9	-	1
TOTAL	12	$ 1.8	545	3	9
REGION VII					
WHOLESALE/RETAIL	4	$ .5	61	3	1
MANUFACTURING	4	.3	69	3	1
SERVICE	4	.3	43	3	1
OTHERS	1	.03	1	1	-
TOTAL	13	$ 1.1	174	10	3
REGION VIII					
NO ACTIVITY					
REGION IX					
WHOLESALE/RETAIL	10	$ 2.6	553	4	6
MANUFACTURING	6	1.7	272	4	2
SERVICE	4	1.3	100	2	2
TRANSPORTATION	1	.1	160	-	1
CONSTRUCTION	3	.4	67	3	2
OTHERS	1	.1	30	-	1
TOTAL	25	$ 6.3	1,182	13	12
REGION X					
WHOLESALE/RETAIL	2	$ .8	56	-	2
MANUFACTURING	1	.2	95	-	1
SERVICE	4	.3	18	-	4
TOTAL	7	$ 1.3	169	-	7
TOTAL	124	$21.3	5,317	45	79

TABLE VI

NON-MINORITY, MINORITY ANALYSIS BY REGION
THIRD QUARTER FY 82

REGIONS	NON MINORITY #	$	JOBS	MINORITY #	$	JOBS
I	18	$ 2.7	907	-0-	-0-	-0-
II	8	1.1	316	-0-	-0-	-0-
III	1	.3	45	-0-	-0-	-0-
IV	5	.5	117	-0-	-0-	-0-
V	35	6.2	1862	-0-	-0-	-0-
VI	12	1.8	545	-0-	-0-	-0-
VII	13	1.1	174	-0-	-0-	-0-
VIII	-	-	-	-0-	-0-	-0-
IX	25	6.3	1182	0	0	-0-
X	6	1.2	164	-1-	.1	5
TOTAL	123	$21.2	5317	1	$ .1	5

TOTAL FY 82 TO DATE

I	55	$ 8.3	2957	-0-	-0-	-0-
II	18	2.6	810	-0-	-0-	-0-
III	10	1.1	461	-0-	-0-	-0-
IV	16	2.1	563	-0-	-0-	-0-
V	73	11.5	3538	-0-	-0-	-0-
VI	22	4.3	945	-0-	-0-	-0-
VII	30	3.0	764	-0-	-0-	-0-
VIII	5	.5	22	-0-	-0-	-0-
IX	46	11.0	1826	9	$1.6	190
X	14	3.1	278	1	.1	5
TOTAL	289	$47.5	12,164	10	$1.7	195

TOTAL ACTIVITY TO DATE

I	97	$14.6	4313	-0-	$ -0-	-0-
II	27	5.1	1117	-0-	-0-	-0-
III	20	2.7	774	-5-	$ .7	-0-
IV	27	2.9	782	-0-	-0-	-0-
V	97	15.4	4434	-1-	.5	-70
VI	27	4.9	1089	-0-	-0-	-0-
VII	50	4.9	1203	-6-	.6	57
VIII	5	.5	22	-0-	-0-	-0-
IX	70	18.2	3136	27	$6.7	1634
X	26	6.0	587	1	.1	1
TOTAL	446	$75.2	17,457	40	$8.6	1766

TABLE VII

LOAN APPROVAL ACTIVITY BY STATE

	THIRD QUARTER FY 82				TOTAL FY 82 TO DATE		TOTAL ACTIVITY TO DATE	
STATE	#	%	$	%	#	$	#	$
Alabama	-	-	-	-	1	$ .09	1	$ .09
Arizona	1	1	$ .2	1	2	.25	8	2.4
California	23	19%	5.90	28%	52	12.2	88	22.4
Colorado		%		%	1	.04	1	.04
Connecticut	3	2%	.3	2%	4	.4	6	.58
Deleware	-	-	-	-	-	-	4	.2
District of Columbia	-	-	-	-	-	-	2	.4
Florida	1	1%	.08	1%	1	.08	1	.08
Georgia	-	-	-	-%	1	.06	1	.06
Hawaii	1	1%	.2	-%	1	.2	1	.2
Illinois	1	1%	.08	1%	3	.3	7	.7
Indiana	6	5%	1.5	7%	7	1.6	7	1.6
Iowa	1	1%	.05	-%	7	.9	9	1.2
Kansas	2	2%	.3	1%	4	.36	4	.36
Kentucky	3	2%	.4	3%	8	1.0	12	1.4
Louisiana	1	1%	.3	1%	5	1.8	8	2.2
Maine	3	2%	.5	2%	7	1.0	8	1.1
Maryland	1	1%	.3	1%	7	.9	13	2.3
Massachusetts	7	6%	1.20	6%	31	4.3	50	7.7
Michigan	7	6%	.90	4%	21	3.3	33	5.5
Minnesota	2	1%	.2	1%	2	.2	2	.2
Missouri	9	7%	.70	3%	18	1.7	42	3.9
Montana		%		-%	1	.04	1	.04
Nebraska	1	1%	.02	0%	1	.02	1	.02
New York	8	6%	1.10	5%	18	2.6	27	5.1
North Carolinia	1	1%	.05	-%	2	.25	8	.5
Ohio	14	11%	2.40	11%	31	4.6	34	5.1
Pennsylvania	-	-%	-	-%	3	.3	6	.6
Rhode Island	4	3%	.60	3%	9	1.9	24	3.7
South Carolina	-	-%	-	-%	1	.1	2	.3
Texas	11	9%	1.40	7%	17	2.4	20	2.6
Utah	-	-%	-	-%	3	.4	3	.4
Vermont	1	1%	.20	1%	4	.7	8	1.6
Washington	7	5%	1.30	6%	15	3.2	27	6.1
Wisconsin	5	4%	1.10	5%	11	2.0	17	3.2
TOTAL	124	100%	$21.30	100%	299	$ 49.2	486	$83.8

TABLE VIII

LOAN APPROVALS BY CDC

CDC	THIRD QUARTER FY 82		TOTAL FY 82 TO DATE		TOTAL ACTIVITY TO DATE	
	#	$	#	$	#	$
REGION I						
Androscroggin Valley Reg Plann Comm.	1	$ 60,000	2	$ 304,000	2	$ 304,000
Bay Colony Development Corporation	-	-	3	509,000	6	1,391,000
Boston Local Development Company	1	231,000	3	706,000	6	1,015,000
Brattleboro Dev. Credit Corporation	-	-	3	537,000	6	1,288,000
Bristol Engineering Corporation	1	55,000	1	55,000	1	55,000
Brockton Regional Econoic Dev. Co.	-	-	3	408,000	5	515,000
Central Vermont Economic Dev Corp	-	-	0	-	1	110,000
Eastern Maine Development District	2	399,000	2	399,000	2	399,000
Greater Hartford Bs. Dev. Center Inc.	1	92,000	1	92,000	1	92,000
Lyn Capital Investment Corporation	1	93,000	2	219,000	2	219,000
New Haven Community Investment Corp.	2	204,000	3	288,000	5	516,000
Northern Regional Planning Comm.	-	-	2	204,000	4	274,000
Ocean State Business Dev. Authority	2	423,000	6	1,484,000	15	2,756,000
Pawtuckett Local Comm. & Ind. Dev Corp.	-	-	1	315,000	5	583,000
Plymouth Industrial Dev. Corp.	1	171,000	4	474,000	5	804,000
Providence Industrial Development Corp.	1	75,000	1	75,000	3	300,000
South Shore Economic Dev. Corp.	2	389,000	6	852,000	15	2,313,000
Springfield Small Business Assist.	2	290,000	10	1,163,000	12	1,472,000
Winooski Comm. Development Corp.	1	207,000	1	207,000	1	207,000
TOTAL	18	$ 2,689,000	55	$ 8,291,000	97	$14,613,000
REGION II						
Albany Local Development Corporation	1	$ 89,000	1	$ 89,000	1	$ 89,000
Empire State Certified Dev Corp.	2	265,000	2	265,000	2	265,000
Hudson Development Corporation	1	21,000	2	63,000	2	63,000
LDC for City of Buffalo Erie Co	-	-	-	-	1	230,000
Long Island Development Corporation	3	560,000	10	1,913,000	15	3,578,000
Monroe County Industrial Dev Corp	-	-	1	81,000	1	81,000
Niagara Falls Development Coporation	-	-	-	-	1	500,000
Onondaga Industrial Dev Second	1	203,000	2	254,000	2	254,000
Syracuse Economic Dev. Corporation	-	-	-	-	2	91,000
TOTAL	8	$ 1,138,000	18	$ 2,665,000	27	$ 5,151,000
REGION III						
Allentown Economic Development Corp.	-	$ -	3	$ 271,000	3	271,000
Bedco Development Corporation	1	282,000	7	761,000	13	2,111,000
Erie City LDC	-	-	-	-	1	186,000
Urban LDC	-	-	-	-	2	130,000
Washington, D.C. LDC	-	-	-	-	2	413,000
Wilmington LDC	-	-	-	-	4	206,000
TOTAL	1	$ 282,000	10	$ 1,032,000	25	$ 3,317,000

	THIRD QUARTER FY 82		TOTAL FY 82 TO DATE		TOTAL ACTIVITY TO DATE	
REGION IV	#	$	#	$	#	$
Barren River Dev. District Inc.	-	$ -	1	$ 210,000	1	$ 210,000
Birmingham Citywide	-	-	1	92,000	1	92,000
Charleston Citywide LDC	-	-	1	101,000	2	269,000
Columbus Local Development Corporation	-	-	1	62,000	1	62,000
Commonwealth Small Business Dev. Corp.	2	298,000	4	388,000	4	388,000
Fayetteville Progress Inc.	-	-	1	166,000	1	166,000
Jacksonville LDC	1	80,000	3	646,000	3	646,000
Louisville Economic Dev Corp	1	64,000	3	369,000	7	790,000
Wilmington Industrial Dev Inc.	1	55,000	1	55,000	7	267,000
Total	5	$ 497,000	16	$ 2,089,000	27	$ 2,910,000
REGION V						
Akron Small Business Dev. Corporation	-	$ -	4	$ 499,000	4	$ 499,000
Cincinnati Local Dev. Company, Inc.	3	622,000	5	851,000	5	851,000
Citywide Small Business Dev. Corp.	1	115,000	4	517,000	7	999,000
Cleveland Area Dev. Fin. Corp.	3	403,000	7	1,047,000	7	1,047,000
Columbus Citywide Development Corp.	5	896,000	8	1,331,000	8	1,331,000
Community Dev. Corp. of Fort Wayne	-	-	1	105,000	1	105,000
Forward Development Corporation	2	276,000	4	553,000	12	2,419,000
Grand Rapids Local Development Corp.	3	502,000	8	1,413,000	11	1,760,000
Greater Kenosha Development Corporation	1	57,000	3	143,000	7	383,000
Greater Southwest LDC	-	-	-	-	2	199,000
Jackson Local Development Company	1	101,000	3	194,000	4	225,000
Kalamazoo Sm Bus. Dev Corp.	1	68,000	2	114,000	2	114,000
Lawndale LDC	-	-	1	75,000	1	75,000
Lawrence Avenue LDC	-	-	-	-	2	220,000
Madison Development Corporation *	1	500,000	1	500,0000	1	500,000
Metropolitan Growth & Dev. Corporation	6	1,509,000	8	2,035,000	8	2,035,000
Milwaukee Economic Dev Corporation	1	154,000	3	490,000	5	1,490,000
Oskosh Community Development	1	239,000	1	239,000	1	239,000
Scioto Economic Development Corporation	1	98,000	1	98,000	1	98,000
South Central Ill. Regional	-	-	1	157,000	1	157,000
South Shore Area Development Corp	1	80,000	1	80,000	1	80,000
St. Paul 503 Development Corporation	2	178,000	1	178,000	1	178,000
Toledo Economic Planning Council	1	140,000	2	223,000	2	223,000
Wisconsin Business Development *	1	189,000	3	663,000	3	663.000
TOTAL	35	$ 6,217,000	73	$11,475,000	98	$15,862,000
REGION VI						
Caprock Local Development Company	3	$ 373,000	3	$ 373,000	3	$ 373,000
New Orleans Citywide Dev. Corp.	1	340,000	5	$ 1,821,000	8	2,252,000
San Antonio Local Dev. Co, Inc.	-	-	2	112,000	4	334,000
Texas Capital Development Corp.	8	1,074,000	12	1,945,000	12	1,945,000
TOTAL	12	$ 1,787,000	22	$ 4,251,000	27	$ 4,904,000

* Madison Development Corporation's figures has been changed to reflect the amount charged to the Wisconsin Business Development Corporation.

	THIRD QUARTER FY 82		TOTAL FY 82 TO DATE		TOTAL ACTIVITY TO DATE	
REGION VII	#	$	#	$	#	$
Business Development Corp. of Nebraska	1	$ 20,000	1	$ 20,000	1	$ 20,000
Central Avenue Betterment Association	-	-	2	64,000	2	64,000
Certified Dev. Corp. SW Missouri	-	-	2	344,000	2	344,000
Crossroads LDC	-	-	1	149,000	4	386,000
Iowa Business Growth Co.	1	54,000	7	993,000	9	1,203,000
Kansas City Corp. for Industrial Dev.	-	-	-	-	3	358,000
McPherson County Local Dev. Co.	1	167,000	1	167,000	1	167,000
St. Louis County Local Dev. Company	2	125,000	3	256,000	8	950,000
St. Louis Local Development Company	7	600,000	12	968,000	25	1,900,000
Wichita Area Development Inc.	1	106,000	1	106,000	1	106,000
TOTAL	13	$ 1,072,000	30	$ 3,007,000	56	$ 5,498,000
REGION VIII						
Butte Local Development Corp.	-	$ -	1	$ 43,000	1	$ 43,000
Greater Salt Lake Bus. District	-	-	3	356,000	3	356,000
Manitous Spring Development	-	-	1	38,000	1	38,000
TOTAL	-	$ -	5	$ 437,000	5	$ 437,000
REGION IX						
Bay Area Business Development	1	$ 375,000	1	$ 375,000	1	$ 375,000
Bay Area Employment Dev. Co.	6	2,079,000	14	4,105,000	19	5,251,000
Calexico Industrial Dev. Corp.	-	-	1	77,000	2	132,000
Economic Dev. Corp. of L. A. County	-	-	2	355,000	2	355,000
Economic Dev Fund of Sacramento	2	177,000	4	462,000	8	1,430,000
Greater Bakerfield LDC	1	263,000	1	263,000	2	553,000
HEDCO Local Development Corporation	1	202,000	1	202,000	1	202,000
LA Habra Local Dev. Corporation	1	421,000	2	600,000	4	1,461,000
Long Beach Local Dev. Corporation	3	398,000	4	1,155,000	5	1,384,000
Los Angeles LDC Inc.	-	-	2	398,000	8	2,774,000
Los Medanos Fund	-	-	2	804,000	5	1,738,000
San Diego County Local Dev. Corp.	10	2,199,000	16	3,370,000	26	6,134,000
San Francisco Industrial Dev Foundation	-	-	-	-	1	360,000
Tucson Local Dev. Corp.	1	173,000	2	226,000	8	2,380,000
Union of Small Cities	-	-	3	222,000	3	222,000
TOTAL	25	$ 6,287,000	55	$12,614,000	97	$24,960,000
REGION X						
Evergreen Community Deve. Assoc.	7	$ 1,310,000	13	$ 2,823,000	25	$ 5,717,000
Greater Spokane Business Dev Corp.	-	-	2	380,000	2	380,000
TOTAL	7	$ 1,310,000	15	$ 3,203,000	27	$ 6,097,000
TOTAL	124	$21,279,000	299	$49,064,000	299	$83,743,000

TABLE IX

EMPLOYMENT OPPORTUNITIES PER CDC

CDC	THIRD QUARTER FY 82		TOTAL FY 82 TO DATE		TOTAL ACTIVITY TO DATE	
REGION I	JOBS	AVERAGE COST PER EMPLOYMENT OPPORTUNITY	JOBS	AVERAGE COST PER EMPLOYMENT OPPORTUNITY	JOBS	AVERAGE COST PER EMPLOYMENT OPPORTUNITY
Androscroggin Valley Reg Plann Comm.	10	$ 6,000	103	$ 2,951	103	$ 2,951
Bay Colony Development Corporation	-	-	402	1,266	542	2,565
Boston Local Development Company	183	1,262	345	2,046	408	2,487
Brattleboro Dev. Credit Corporation	-	-	277	1,939	494	2,607
Bristol Engineering Corporation	20	2,750	20	2,750	20	2,750
Brockton Regional Econoic Dev. Co.	-	-	94	4,340	130	3,961
Central Vermont Economic Dev Corp	-	-	-	-	31	3,548
Eastern Maine Development District	118	3,381	118	3,381	118	3,381
Greater Hartford Bs. Dev. Center Inc.	28	3,285	28	3,285	28	3,285
Lyn Capital Investment Corporation	9	10,333	33	6,636	33	6,636
New Haven Community Investment Corp.	36	5,666	41	7,024	102	5,058
Northern Regional Planning Comm.	-	-	49	4,163	73	3,753
Ocean State Business Dev. Authority	110	3,845	388	3,824	628	4,388
Pawtuckett Lc Comm. & Ind. Dev Corp.	-	-	114	2,763	282	2,067
Plymouth Industrial Dev. Corp.	42	4,071	104	4,557	136	5,911
Providence Industrial Dev Corp.	43	1,744	43	1,744	103	2,912
South Shore Economic Dev. Corp.	140	2,778	363	2,347	593	3,900
Springfield Small Business Assist.	56	5,178	323	3,600	377	3,904
Winooski Comm. Development Corp.	112	1,848	112	1,848	112	1,848
TOTAL	907	$ 2,964	2957	$ 2,803	4313	$ 3,388
REGION II						
Albany Local Development Corporation	18	$ 4,944	18	$ 4,944	18	$ 4,944
Empire State Certified Dev Corp.	106	2,500	106	2,500	106	2,500
Hudson Development Corporation	33	635	38	1,657	38	1,657
LDC for City of Buffalo Erie Co	-	-	-	-	44	5,227
Long Island Development Corporation	132	4,242	539	3,549	703	5,089
Monroe County Industrial Dev Corp	-	-	69	1,183	69	1,173
Niagara Falls Development Coporation	-	-	-	-	75	6,666
Onondaga Industrial Dev Second	27	7,518	40	6,350	40	6,350
Syracuse Economic Dev. Corporation	-	-	-	-	24	3,791
TOTAL	316	$ 3,601	810	$ 3,290	1117	$ 4,611
REGION III						
Allentown Economic Development Corp.	-	$ -	46	$ 5,891	46	5,891
Bedco Development Corporation	45	6,266	415	1,833	634	3,329

CDC

REGION IV	THIRD QUARTER FY 82 JOBS	THIRD QUARTER FY 82 AVERAGE COST PER EMPLOYMENT OPPORTUNITY	TOTAL FY 82 TO DATE JOBS	TOTAL FY 82 TO DATE AVERAGE COST PER EMPLOYMENT OPPORTUNITY	TOTAL ACTIVITY TO DATE JOBS	TOTAL ACTIVITY TO DATE AVERAGE COST PER EMPLOYMENT OPPORTUNITY
Barren River Dev. District Inc.	-	$ -	42	$ 3,000	42	$ 3,000
Birmingham Citywide	-	-	10	9,200	10	9,200
Charleston Citywide LDC	-	-	8	12,625	68	3,294
Columbus Local Development Corporation	-	-	30	2,066	30	2,066
Commonwealth Small Business Dev. Corp.	49	6,081	97	4,000	97	4,000
Fayetteville Progress Inc.	-	-	24	6,916	24	6,916
Jacksonville LDC	17	4,705	139	4,647	139	4,647
Louisville Economic Dev Corp	1	64,000	163	2,263	225	3,511
Wilmington Industrial Dev Inc.	50	1,100	50	1,100	127	2,259
Total	117	$ 4,247	563	$ 3,710	762	$ 3,701
REGION V						
Akron Small Business Dev. Corporation	-	$ -	142	$ 3,080	142	$ 3,080
Cincinnati Local Dev. Company, Inc.	226	2,752	324	2,426	324	2,426
Citywide Small Business Dev. Corp.	20	5,750	194	2,664	300	3,190
Cleveland Area Development Finance	131	3,763	251	4,171	251	4,171
Columbus Citywide Development Corp.	170	5,270	432	3,081	432	3,081
Community Dev. Corp. of Fort Wayne	-	-	21	5,000	21	5,000
Forward Development Corporation	109	2,532	165	3,351	324	4,442
Grand Rapids Local Development Corp.	113	4,442	233	6,064	367	4,795
Greater Kanosha Development Corporation	76	750	108	1,324	139	2,468
Greater Southwest LDC	-	-	-	-	11	10,000
Jackson Local Development Company	12	8,416	60	5,233	66	5,515
Kalamazoo Sm Bus. Dev Corp.	14	6,800	29	3,931	29	3,931
Lawndale LDC	-	-	55	1,363	55	1,363
Lawrence Avenue LDC	-	-	-	-	14	15,857
Madison Development Corporation	175	2,857	175	2,857	175	15,857
Metropolitan Growth & Dev. Corporation	201	7,507	456	4,462	476	4,462
Milwaukee Economic Dev. Corporation	24	6,416	211	2,974	301	2,974
Oskosh Community Development	19	12,578	19	12,578	19	12,578
Scioto Economic Development Corporation	290	337	290	337	337	337
South Central Ill. Regional	-	-	17	9,235	17	9,235
South Shore Area Development Corp	3	26,666	3	26,666	3	26,666
St. Paul 503 Development Corporation	74	2,405	74	2,405	74	2,405
Toledo Economic Planning Council	165	848	165	848	165	848
Wisconsin Business Development	40	4,725	75	8,840	75	8,840
TOTAL	1862	$ 3,338	3538	$ 4,139	4004	$ 5,141
REGION VI						
Caprock Local Development Company	29	$ 12,862	29	$ 12,862	29	$ 12,862
New Orleans Citywide Dev. Corp.	105	3,238	280	$ 6,303	421	3,349
San Antonio Local Dev. Co, Inc.	-	-	72	1,555	75	4,433
Texas Capital Development Corp.	411	2,613	564	3,448	564	3,448
TOTAL	545	$ 3,278	918	$ 4,259	1089	$ 4,276

	THIRD QUARTER FY 82		TOTAL ACTIVITY TOTAL FY 82 TO DATE		TO DATE	
REGION VII	JOBS	AVERAGE COST PER EMPLOYMENT OPPORTUNITY	JOBS	AVERAGE COST PER EMPLOYMENT OPPORTUNITY	JOBS	AVERAGE COST PER EMPLOYMENT OPPORTUNITY
Business Development Corp. of Nebraska	6	$ 3,333	6	$ 3,333	6	$ 3,333
Central Avenue Betterment Association	-	-	15	4,266	15	4,266
Certified Dev. Corp. SW Missouri	-	-	97	3,546	97	3,546
Crossroads LDC	-	-	25	5,690	55	7,018
Iowa Business Growth Co.	17	3,176	409	2,281	464	2,592
Kansas City Corp. for Industrial Dev.	-	-	-	-	30	1,193
McPherson County Local Dev. Co.	25	6,680	25	6,680	25	6,680
St. Louis County Local Dev. Company	36	3,472	56	4,571	196	4,846
St. Louis Local Development Company	78	7,692	119	8,134	360	5,277
Wichita Area Development Inc.	12	8,833	12	8,833	12	8,833
TOTAL	174	$ 6,160	764	$ 3,935	1260	$ 4,363
REGION VIII						
Butte Local Development Corp.	-	$ -	11	$ 3,909	11	$ 3,909
Greater Salt Lake Bus. District	-	-	7	50,857	7	50,857
Manitous Spring Development	-	-	4	9,500	4	9,500
TOTAL	-	$ -	22	$ 19,863	22	$ 19,863
REGION IX						
Bay Area Business Development	32	$ 11,718	32	$ 11,718	32	$ 11,718
Bay Area Employment Dev. Co.	317	6,558	559	7,343	658	7,980
Calexico Industrial Dev. Corp.	-	-	6	12,000	12	11,000
Economic Dev. Corp. of L. A. County	-	-	100	3,550	100	3,550
Economic Dev Fund of Sacramento	18	9,833	39	11,846	206	6,941
Greater Bakerfield LDC	21	12,523	21	11,846	35	15,800
MEDCO Local Development Corporation	70	2,885	70	2,885	70	2,885
LA Habra Local Dev. Corporation	35	11,538	52	11,538	329	4,440
Long Beach Local Dev. Corporation	250	1,592	316	3,655	331	4,181
Los Angeles LDC Inc.	-	-	91	4,373	1312	2,114
Los Medanos Fund	-	-	88	9,136	235	7,393
San Diego County Local Dev. Corp.	414	5,311	582	5,790	840	7,302
San Francisco Industrial Dev Foundation	-	-	-	-	140	2,271
Tucson Local Dev. Corp.	25	6,920	32	700	421	5,653
Union of Small Cities	-	-	28	7,857	28	7,857
West Central Costal LDC	-	-	-	-	21	9,952
TOTAL	1182	$ 5,318	2016	$ 6,256	4710	$ 5,299
REGION X						
Evergreen Community Deve. Assoc.	169	$ 7,751	231	$ 12,220	540	$ 10,587
Greater Spokane Business Dev Corp.	-	-	52	7,307	52	7,307
TOTAL	169	$ 7,751	283	$ 11,318	592	$ 10,298
TOTAL	5317	$ 4,006	12359	$ 3,981	19223	$ 4,365

TABLE X

503 DEBENTURES SOLD TO THE FEDERAL FINANCING BANK

MONTHLY FUNDING SUMMARY

DATE	INTEREST RATES				
1981	15-Year	20-Year	25-Year	$ Amount	NUMBER
FEBRUARY 4	-	-	12.722	$ 308,000	1
MARCH	-	-	-	-	-
APRIL 8	-	13.774	-	532,000	2
MAY 6	-	14.469	-	174,000	3
JUNE 10	-	13.349	13.234	308,000	4
JULY 8	-	13.972	13.642	1,170,000	7
AUGUST 5	15.114	14.933	14.768	732,000	4
SEPTEMBER 9	15.650	15.472	15.456	1,982,000	12
TOTAL				$ 5,206,000	33
FY 1982					
OCTOBER 7	-	15.262	15.134	$ 615,000	4
NOVEMBER 4	13.558	13.597	13.516	2,584,000	15
DECEMBER 9	14.711	14.770	14.749	2,966,000	16
JANUARY 6	14.312	14.337	14.278	2,364,000	12
FEBRUARY 10	15.040	15.077	15.056	4,880,000	23
MARCH 10	13.715	13.699	13.584	5,200,000	32
APRIL 7	14.259	14.163	14.035	2,318,000	15
MAY 5	14.032	13.911	13.760	3,211,000	21
JUNE 9	14.076	14.055	13.972	4,861,000	29
TOTAL				$ 28,999,000	167
TOTAL	(ACTIVITY TO DATE)			$ 34,205,000	200

TABLE XI

FUNDING OF CDCS

(THIRD QUARTER FY 82)

CDC	15 YEARS	20 YEARS	25 YEARS	TOTAL THIRD QUARTER FY 82	TOTAL FY 82 TO DATE
Region I					
Bay Colony Dev. Corp	$	$	$	$	$ 884,000
Brockton Regional Corporation		72,000		72,000	163,000
Norther Maine Reg Plan. Comm					148,000
Ocean State Bs. Dev Authority		344,000		344,000	1,159,000
Pawtuckett Lc Com Ind Dev Corp					80,000
Plymouth Ind. Dev Corp.		61,000			391,000
South Shore Economic Dev					701,000
Springfield Sm Bs Ass	31,000	187,000		218,000	518,000
Total	$ 31,000	$ 664,000	$	$ 695,000	$ 4,044,000
Region II					
Long Island Local Dev Corp	$ 315,000	$ 575,000		$ 890,000	$ 1,866,000
Onondaga Industrial 2nd Corp	51,000			51,000	51,000
Syracuse Economic Dev Corp		52,000		52,000	52,000
The LDC for the City of Buffalo					230,000
TOTAL	$ 366,000	$ 627,000		$ 973,000	$ 2,199,000
Region III					
Allentown Economic Dev Corp	$	$ 52,000		$ 52,000	$ 163,000
Bedco Dev Corp.		1,012,000		1,012,000	1,012,000
Washington, D.C. LDC					509,000
Wilmington Local Dev Corp					168,000
Total	$	$ 1,064,000		$ 1,064,000	$ 1,852,000
Region IV					
Barren RIver Area Dev Dist Inc	$	$	$	$	$ 210,000
Commonwealth Sm Bs. Dev Corp	90,000			90,000	90,000
Fayetteville Progress Inc.			166,000	166,000	166,000
Jacksonville LDC					498,000
Louisville Econimic Dev Corp	25,000		280,000	305,000	501,000
Wilmington Ind. Dev., Inc.					47,000
Total	$ 115,000	$	$ 446,000	$ 561,000	$1,512,000
Region V					
Akron Sm Bus. Dev Corp.	$	$	$ 168,000	$ 168,000	$ 168,000
Cincinnati LDC		130,000		130,000	229,000
City-wide Sm Bs Dev Company		51,000		51,000	184,000
Cleveland Area Fin Dev Co.	100,000			100,000	344,000
Columbus Citywide Dev Corp			210,000	210,000	210,000
Forward Development Corporation	366,000	243,000		609,000	881,000
Grand Rapids LDC					92,000
Greater Southwest LDC					199,000
Jackson Local Dev Co	15,000			15,000	15,000
Kalamazoo Sm Bus. Dev Corp		46,000		46,000	46,000
Lawrence Avenue Dev Corp.					150,000
South Cent Ill Reg Pl Dev Co		157,000			157,000
TOTAL	$ 481,000	$ 470,000	$ 378,000	$1,329,000	$2,675,000

CDC	15 YEARS	20 YEARS	25 YEARS	TOTAL THIRD QUARTER FY 82	TOTAL FY 82 TO DATE
REGION VI					
New Orleans Citywide Dev Corp	$ 500,000	$ 334,000	$	$ 834,000	$ 1,473,000
San Antonio LDC, Inc.				199,000	260,000
Texas Certified Dev Co, Inc.		181,000		181,000	756,000
TOTAL	$ 500,000	$ 515,000	$	$1,015,000	$ 2,489,000
Region VII					
Certified Dev Corp of SW MO	$				$ 200,000
Crossroads Econ. Dev Corp.			124,000	124,000	239,000
Iowa Business Growth, Company	112,000			112,000	775,000
St. Louis County LDC	321,000		73,000	394,000	862,000
The St. Louis County LDC		133,000		133,000	133,000
TOTAL	$ 433,000	$ 133,00	$ 197,000$	$ 763,000	$2,209,000
Region VIII					
Butte Local Development Corp.	$ 43,000			$ 43,000	$ 43,000
Manitous Springs Dev Co.			38,000	38,000	38,000
Greater Salt Lake Bs Dist.					240,000
TOTAL	$ 43,000		$ 38,000	$ 81,000	$ 321,000
Region IX					
Bay Area Employment Company			$ 719,000	$ 719,000	$1,231,000
Calexico Industrial LDC					55,000
Economic Dev Coep of LA	214,000	141,000		355,000	355,000
Economic Dv Found of Scramento	49,000		263,000	312,000	1,033,000
La Habra Local Dev.			1,100,000	1,100,000	1,461,000
Long Beach LDC					835,000
Los Angeles LDC			123,000	123,000	991,000
Los Medanos Funds Dev Corp					880,000
San Diego County LDC	456,000		250,000	706,000	2,322,000
San Francisco Ind Fund					360,000
Tucson LDC		176,000		176,000	676,000
Union of Small Cities Corp		61,000	62,000	123,000	222,000
TOTAL	$ 719,000	$ 378,000	$2,517,000	$3,614,000	$10,421,000
Region X					
Evergreen Comm Dev Assoc.	$ 275,000			$ 275,000	$ 1,197,000
Greater Spokane Bus. District					80,000
TOTAL	$ 275,000	$		$ 275,000	$ 1,277,000
TOTALS	$2,963,000	$ 3,851,000	$3,576,000	$10,390,000	$28,999,000

TABLE XII

QUARTERLY STATUS REPORT ON THE 503 PORTFOLIO

DEBENTURES SOLD TO THE FFB THUR JUNE 1982

REGIONS	CURRENT Zero to 29 Days #	PAST DUE 30 To 60 Days #	DELINQUENT Over 60 Days #	DEFAULT	PAID IN FULL
I	28	3	2	-	-
II	10	-	-	-	1
II	7	2	3	-	-
IV	13	-	-	-	-
V	19	2	-	-	-
VI	16	-	-	-	-
VII	30	-	-	-	-
VIII	3	1	-	-	-
IX	47	2	1	-	-
X	11	-	-	-	-
TOTAL	184	9	5	-	1

U.S. Small Business Administration
Finance and Investment
Office of Lender Relations and Certification
Financial Assistance Division

June 1982

SBA

CDC Quarterly Review

Certified Development Company Program Quarterly Review for the Second Quarter Fiscal Year 1982

SUMMARY

This is the second publication of the Quarterly Review for the Small Business Administration's Section 503 Certified Development Company Program. The following information summarizes the activity of the 503 program during the Second Quarter of FY 82, FY 82 to date, and the total program activity since its inception in FY 81.

SECOND QUARTER FISCAL YEAR 1982 (January 1 thur March 31)

- 30 CDCs were certified.
- 54 CDCs have at least one approved 503 loan.
- 27 CDCs have more than one approved 503 loan.
- 101 loans were approved for $16.3 million. 53 loans were for existing businesses, and 48 loans for new businesses.
- 503 loans resulted in 3,797 employment opportunities (jobs created and retained). The average SBA investment per employment opportunity was $4,292.
- 62% of 503 approvals and 61% of 503 guaranty authority were in the manufucturing and wholesale/retail industries.
- 67 debentures for $12,444,000 were sold to the Federal Financing Bank.

FISCAL YEAR 1982 TO DATE (October 1 thur March 31)

- 59 CDCs were certified.
- 68 CDCs have at least one approved 503 loan.
- 47 CDCs have more than one approved 503 loan.
- 175 loans were approved for $27.9 million 121 loans were for existing businesses and 54 loans were for new businesses.
- Through the second quarter of FY 82, 503 loans resulted in 7,042 employment opportunities. The average SBA investment per employment opportunity was $3,962.
- 59% of 503 loan approvals and 58% of 503 guaranty authority were in the manufacturing and wholesale/retail industries.
- 102 debentures for $18,609,000 were sold to the Federal Financing Bank.

TOTAL 503 ACTIVITY TO DATE (FY 81 TO PRESENT)

- 193 CDC's have been approved.
- 85 CDCs have at least one approved 503 loan.
- 64 CDCs have more than one approved 503 loan.
- 362 loans have been approved for $62.5 million.
- 290 loans were for existing businesses and 72 loans were for new businesses.
- To date, 503 loans have resulted in 13906 employment opportunities. The average SBA investment per employment opportunity is $4,494.
- 63% of 503 loan approvals and 67% of 503 guaranty authority were in the manufacturing and wholesale/retail industries.
- 135 debentures for $23,815,000 were sold to the Federal Financing Bank.

PROGRAM DEVELOPMENTS & GUIDANCE

Proposed Regulation

A proposed regulation intended to standardize the certification requirements for state and local 503 development companies was published in the Federal Register on May 24, 1982, for review and comment by the public.

The existing regulations require a certified development company organized on a statewide basis to comply with three special conditions; (1) Incorporation must be pursuant to a special act of the state legislature; (2) A state certified development company must be comprised of corporate members and (3) the minimum number of corporate members must be at least 10.

The proposed regulations would (1) abolish the requirement that a statewide certified development company be authorized by a special act of the state legislature; (2) require that all certified development companies have at least 25 representative members who needn't be corporate members; (3) require development company membership to include participation by each of the following four groups: the appropriate level of government that reflects the certified development company's area of operation, private sector lending institutions, community organizations and business organizations; (4) require that the board of directors contain representation from the appropriate level of government and private sector lending institutions.

Internal Revenue Service (IRS) Opinion

In an opinion rendered by the Internal Revenue Service, IRS has concluded that the interest which is credited to a small business concern's reserve and escrow accounts is includable in the small business concern's gross income for the taxable years in which the interest is so credited. This conclusion is equally applicable to both cash basis and accrual basis taxpayers. Annually, the Central Fiscal Agent (CFA) will provide the CDCs with the appropriate information on the taxable income for each small business concern in their portfolio.

The following information provides the basis on which the IRS formulated their opinion. Section 61 of the Internal Revenue Code defines gross income as all income from whatever source derived, except as specifically excluded by other provisions of the Code. Section 1.446-1(a)(3) of the Income Tax Regulations provides that items of gross income need not be in the form of cash. Gross income may also include the fair market value of property received by a taxpayer. Sections 1.61(a) and 1.446-1(c)(1)(i) of the regulations.

The principle generally known as the "economic benefit" theory delimits one form of property the fair market value of which must be included in gross income. Pursuant to this theory, the creation of a fund in which the taxpayer has vested rights results in immediate inclusion by the taxpayer of the amount funded. A "fund" is created when an amount is irrevocably set aside in a trust or escrow account and a taxpayer's interest in such a fund is "vested" if it is nonforfeitable.

The Internal Revenue Service has consistently applied the economic benefit theory to require the inclusion of a funded obligation in a taxpayer's gross income. In Rev. Rul. 67-203, 1967-1 C.B. 105, the Service held that a taxpayer, who won an Irish Sweepstakes prize, must include the present value of the prize in gross income, even though the prize would be held by the Irish Court until the taxpayer attained the age of majority. The economic benefit theory was applied in rev. 62-74, 1962-1 C.B. 68, to require the inclusion of amounts placed in an escrow account for the taxpayer's benefit and in Rev. Rul. 55-691, 1955-2 C.B. 21, to require the inclusion of the value of annuities or amounts paid to an irrevocable trust for the taxpayer's benefit.

The concept of economic benefit is quite different from that of constructive receipt. Unlike constructive receipt, the economic benefit theory requires the actual receipt of property or the actual receipt of a right to receive property in the future, at which point, the theory asks whether the property or right confers a present economic benefit with an ascertainable fair market value. Constructive receipt, on the other hand, requies only the ability to receive property immediately, and subjects the value of the property itself to taxation. In other words, constructive receipt deals with when property should be included in a taxpayer's gross income (when actually received or at some time before actual receipt), while economic benefit deals with "what" property or rights actually received by a taxpayer should be subject to immediate taxation. As a result, the constructive receipt theory is only applicable to cash basis taxpayers while the economic benefit theory may be applied to required recognition of income by both cash basis and accrual basis taxpayers.

A small business concern participating in the section 503 program will not be in constructive receipt of the interest credited to the reserve and escrow accounts because the interest is not currently made available so that the small business concern can draw upon it any time. However, a participating small business concern has a nonforfeitable right to receive the interest in the future. The interest is irrevocably set aside in the escrow and reserve accounts and reinvested for the benefit of the small business concern. The interest will either be distributed to the small business concern upon satisfaction of the debenture or, in the event of default, applied by the fiscal agent to discharge the small business concern's indebtedness on the note or lease. The crediting of the interest to the escrow and reserve accounts confers a present economic benefit upon the participating small business concern.

SBA Policy on Reserved And Escrow Accounts

Pursuant to SOP 50 22, paragraph 51 (e), the SBA policy on the reserve and escrow accounts states that the total amount of funds in such accounts shall be maintained for the benefit of the small business concern by the CFA until the debenture has been satisfied. However, at such time as the total amount of funds in such accounts is equivalent to the outstanding debenture balance (the CFA shall provide the appropriate notification), the small business concern shall have the right to utilize the funds should they decide to prepay the debenture. Any decision to prepay prior to equality between the reserve and escrow accounts and the outstanding debenture balance shall be done so without the application of the funds in the accounts. Following prepayment by the small business concern, the CFA will remit all funds in the accounts to the small business concern.

The IRS opinion on the reserve and escrow accounts is being currently analyzed by SBA to determine its ramification on the investment functions performed for the benefit of the small business concerns. A future policy memorandum shall address the cumulative impact on the small business concern as a result of the investment function performed by the CFA, the IRS opinion, and the SBA policy on reserve and escrow accounts.

CENTRAL FISCAL AGENT - (Chemical Bank) Administrative Functions

The Office of Lender Relations and Certification has received a number of inquires concerning the implementation and timing of various functions performed by the CFA (Chemical Bank). The performance by the CFA on each of their appropriate administrative functions is as follows:

1. The Fiscal Agent Agreement (SBA Form 1254) is sent to both the SBA field office (original) and the Certified Development Company (copy) within 10 business days following the debenture sale each month.

2. The amortization schedules prepared by the CFA are sent to the CDCs along with the Fiscal Agent Agreement within 10 business days following the debenture sale. The amortization schedules are not sent to the SBA field offices.

3. The CDC's servicing fees are wire transferred by the CFA within twenty-four hours of receipt of the small business concern's monthly payment. The wire transfer to the appropriate bank contains the name of the small business concern for the CDC's records.

4. The system for providing monthly, quarterly, and semi-annual reports to each CDC by the CFA is now operational. The first monthly report on the status of each CDC's portfolio has been distributed by the CFA for the month of April 1982. The report identifies the status of each small business concern's monthly payments in accordance with the following format: Current (0 to 29 days); Past Due (30 to 60 days); Delinquent (over 60 days); Default; Paid in Full. Each monthly report will be distributed by the CFA no later than the third week of each month. Pursuant to SOP 50 22, paragrpah 52(b)(1), the monthly reports for December, March, June and September will be signed and submitted to the SBA field offices by the CDCs with appropriate comments on any small business concerns that are not current in their payments. The first quarterly report will be sent to the CDCs following the end of June 1982. The quarterly report, which will be distributed within three weeks following the end of each quarter, will contain information on the amount of income earned on both the escrow and reserve accounts for the small business concerns. The semi-annual reports will be distributed to the CDCs within three weeks following the periods ending June 30 and December 31. The report will identify the amounts remaining in both the escrow and reserve accounts. In addition, it will contain a statement showing all earnings (total amount in accounts less monthly payment) to be remitted to the SBC.

5. Annually, the CFA will provide the CDCs with the appropriate forms and tax information for each small business concern (SBC) pursuant to the IRS opinion which determined that interest which is credited to a SBC's reserve and escrow accounts is includable in the SBC's gross income for the taxable years in which the interest is so credited.

6. Chemical Bank's toll free number for information on the 503 program is operational. The toll free number is 1-800-221-1627.

Organizational Structure for the Certified Development Company Branch (OLR&C)

The Certified Development Company Branch of the Office of Lender Relations and Certification has been reorganized to improve its operational effectiveness.

The CDC Branch, under the supervision of William S. Hogbin, will consist of two sections: the Program Development Section, and the Operations Section. The Program Development Section is responsible for the development of policy and regulations, and the coordination of operations with FFB and the CFA. This section is staffed by Alan Abraham and Loretta Mosley who can be reached at (202) 653-9181.

The Operations and Regulatory Section is responsible for certification, regulatory oversight of CDCs, and coordination with the SBA field offices. Mary Henderson is responsible for this section which consist of three (3) area coordinators each responsible for 3 to 4 regions. We shall request that the field direct appropriate inquiries and questions on the 503 program to the area coordinators.

AREA COORDINATOR	REGIONS	TELEPHONE NUMBER
John Bennett	I, VI, IX & X	(202) 653-7894
Mary Henderson (Acting)	II, IV & VII	(202) 653-7894
Robert Rovin	III, V & VIII	(202) 653-7865

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TABLE I

CERTIFICATION ACTIVITY

REGIONS	SECOND QUARTER FY 82 CDCS APPROVED	TOTAL CDCS APPROVED THRU SECOND QUARTER FY 82
I	4	34
II	3	18
III	1	13
IV	5	24
V	7	39
VI	2	6
VII	4	23
VIII	1	11
IX	3	22
X	-	3
TOTAL	30	193

TOTAL LOAN ACTIVITY IN FY 82

REGIONS	CDCS WITH AT LEAST ONE APPROVED LOAN DURING SECOND QUARTER FY 82	CDCS WITH MORE THAN ONE APPROVED LOAN DURING SECOND QUARTER FY 82	CDCS WITH AT LEAST ONE APPROVED LOAN IN FY 82	CDCS WITH MORE THAN ONE APPROVED LOAN IN FY 82
I	11	5	13	9
II	2	1	4	1
III	2	1	2	2
IV	4	1	8	3
V	14	7	16	9
VI	3	2	3	3
VII	4	1	5	5
VIII	3	1	1	1
IX	10	7	14	12
X	1	1	2	2
TOTAL	54	27	68	47

TOTAL LOAN ACTIVITY TO DATE (FY '81 THRU FY ' 82)

REGIONS	CDCS WITH AT LEAST ONE APPROVED LOAN TO DATE	CDCS WITH MORE THAN ONE APPROVED LOAN TO DATE	THROUGH 2nd QUARTER FY 82 CDCS IN PROGRAM AT LEAST ONE YEAR WITH NO APPROVED 503 LOANS
I	15	12	2
II	7	2	1
III	6	5	0
IV	9	6	1
V	19	14	1
VI	3	3	0
VII	7	7	2
VIII	3	1	1
IX	14	12	0
X	2	2	0
TOTAL	85	64	8

TABLE II

LOAN APPROVAL ACTIVITY
SECOND QUARTER FY 82

REGIONS	#	%	$	%
I	20	20	$ 2.9	18
II	3	2	.4	2
III	5	5	.5	3
IV	5	5	.5	3
V	24	24	3.3	20
VI	6	6	1.8	11
VII	5	5	.3	2
VIII	4	4	.4	3
IX	24	24	4.9	30
X	5	5	1.3	8
TOTAL	101	100	$16.3	100

TOTAL FY 82 TO DATE

I	37	21	$ 5.6	20
II	10	6	1.5	5
III	9	5	.8	3
IV	11	6	1.6	6
V	38	22	5.3	19
VI	10	6	2.5	9
VII	17	10	1.9	7
VIII	5	3	.5	1
IX	30	17	6.3	23
X	8	4	1.9	7
TOTAL	175	100	$27.9	100

TOTAL ACTIVITY TO DATE

I	79	22	$11.9	19
II	19	5	4.0	6
III	24	7	3.1	5
IV	22	6	2.4	3
V	63	17	9.7	16
VI	15	4	3.1	5
VII	43	12	4.4	7
VIII	5	1	.5	1
IX	72	20	18.6	30
X	20	6	4.8	8
TOTAL	362	100	$62.5	100

TABLE III

EMPLOYMENT OPPORTUNITIES
SECOND QUARTER FY 82

REGIONS	$	EMPLOYMENT #	EMPLOYMENT %	AVERAGE COST PER EMPLOYMENT OPPORTUNITY
I	$ 2.9	1234	32	$ 2,336
II	.4	224	6	1,589
III	.5	185	5	2,643
IV	.5	128	3	3,617
V	3.3	996	26	3,276
VI	1.8	226	6	8,168
VII	.3	52	1	6,576
VIII	.4	22	1	17,590
IX	4.9	671	18	7,347
X	1.3	59	2	21,694
TOTAL	$16.3	3797	100	$ 4,292

TOTAL FY 82 TO DATE

I	$ 5.6	2050	29	$ 2,732
II	1.5	494	7	3,091
III	.8	416	6	1,802
IV	1.6	446	6	3,569
V	5.3	1676	24	3,137
VI	2.5	400	6	6,160
VII	1.9	590	8	3,279
VIII	.5	22	-	19,863
IX	6.3	834	12	7,586
X	1.9	114	2	16,605
TOTAL	$27.9	7042	100	$ 3,962

TOTAL ACTIVITY TO DATE

I	$11.9	3,406	24	$ 3,500
II	4.0	801	6	5,009
III	3.1	729	5	4,163
IV	2.4	665	5	3,628
V	9.7	2,642	19	3,650
VI	3.1	544	4	5,729
VII	4.4	1,086	8	4,075
VIII	.5	22	0	19,863
IX	18.6	3,588	26	5,204
X	4.8	423	3	11,316
TOTAL	$62.5	13,906	100	$ 4,494

TABLE IV

TYPE OF INDUSTRY
SECOND QUARTER FY 82

INDUSTRY	#	%	$	%	EMPLOYMENT OPPORTUNITIES	AVERAGE INVESTMENT PER EMPLOYMENT OPPORTUNITY	BUSINESS EXISTING	BUSINESS NEW
WHOLESALE/RETAIL	31	31	4.6	28	852	5,399	18	13
MANUFACTURING	31	31	5.4	33	1572	3,435	12	19
SERVICES	24	24	3.4	21	737	4,613	12	12
TRANSPORATION	7	6	1.5	9	277	5,415	4	3
CONSTRUCTION	4	4	$ .9	6	240	$ 3,750	4	0
OTHERS	4	4	.5	3	119	5,555	3	1
TOTAL	101	100	$16.3	100	3797	$ 4,292	53	48

TOTAL FY 82 TO DATE

WHOLESALE/RETAIL	57	33	8.6	31	1598	5,381	43	14
MANUFACTURING	45	26	7.6	27	2499	3,041	24	21
SERVICES	46	26	6.6	24	1774	3,720	31	15
TRANSPORATION	7	4	1.5	5	277	5,415	4	3
CONSTRUCTION	7	4	$ 1.4	5	365	$ 3,835	7	0
OTHERS	13	7	2.1	8	529	3,969	12	1
TOTAL	175	100	$27.9	100	7042	$ 3,962	121	54

TOTAL ACTIVITY TO DATE

WHOLESALE/RETAIL	125	34	$22.0	35	3573	$ 6,157	102	23
MANUFACTURING	104	29	19.8	32	6075	3,259	82	22
SERVICE	89	25	12.4	20	2538	4,885	67	22
TRANSPORTATION	12	3	3.3	5	413	7,990	9	3
CONSTRUCTION	15	4	2.5	4	613	4,078	15	0
OTHERS	17	5	2.5	4	694	3,602	15	2
TOTAL	362	100	$62.5	100	13,906	$ 4,494	290	72

TABLE V

TYPE OF INDUSTRY BY REGION
SECOND QUARTER FY 82

INDUSTRY	#	$	EMPLOYMENT OPPORTUNITY	BUSINESS EXISTING	BUSINESS NEW
REGION I					
WHOLESALE/RETAIL	6	.8	280	2	4
MANUFACTURING	8	1.4	574	1	7
SERVICE	4	.6	289	2	2
TRANSPORTATION	1	.08	51	0	1
CONSTRUCTION	1	$ .03	40	1	0
TOTAL	20	$2.9	1234	6	14
REGION II					
WHOLESALE/RETAIL	1	.05	13	0	1
MANUFACTURING	1	$ .2	182	0	1
OTHERS	1	.15	29	0	1
TOTAL	3	$ .4	224	0	3
REGION III					
WHOLESALE/RETAIL	3	.25	135	1	2
MANUFACTURING	1	$ .1	0	1	0
SERVICE	1	.15	30	0	1
TOTAL	5	$ .5	185	2	3
REGION IV					
TRANSPORTATION	2	$ .2	38	1	1
OTHERS	3	.3	90	3	0
TOTAL	5	$ .5	128	3	1
REGION V					
WHOLESALE/RETAIL	3	.4	83	2	1
MANUFACTURING	8	1.1	402	5	3
SERVICE	10	1.3	346	6	4
CONSTRUCTION	2	$ .4	95	2	0
TRANSPORTATION	1	.1	70	1	0
TOTAL	24	$ 3.3	996	16	8
REGION VI					
WHOLESALE/RETAIL	1	.1	25	1	0
MANUFACTURING	3	$ .7	94	3	0
TRANSPORATION	2	1.0	107	2	0
TOTAL	6	$ 1.8	226	6	0
REGION VII					
WHOLESALE/RETAIL	4	.27	40	3	1
MANUFACTURING	1	$ .03	12	0	1
TOTAL	5	$ .3	52	3	2
REGION VIII					
WHOLESALE/RETAIL	1	.05	4	1	0
MANUFACTURING	1	$ .05	11	0	1
SERVICE	2	.3	7	2	0
TOTAL	4	$ .4	22	3	1
REGION IX					
WHOLESALE/RETAIL	11	2.1	257	8	3
MANUFACTURING	8	1.9	277	2	6
SERVICE	3	.3	21	2	1
TRANSPORTATION	1	.1	11	0	1
CONSTRUCTION	1	$ .5	105	1	0
TOTAL	24	$ 4.9	671	13	11
REGION X					
WHOLESALE/RETAIL	1	$ .5	15	0	1
SERVICE	4	.8	44	0	4
TOTAL	5	$ 1.3	59	0	5
TOTAL	101	$16.2	3797	53	48

TYPE OF INDUSTRY BY REGION
TOTAL FY 82 TO DATE

INDUSTRY	#	$	EMPLOYMENT OPPORTUNITY	BUSINESS EXISITNG	BUSINESS NEW
REGION I					
WHOLESALE/RETAIL	13	1.9	582	8	5
MANUFACTURING	14	2.3	881	4	10
SERVICE	7	1.1	481	5	2
TRANSPORTATION	1	.1	51	0	1
CONSTRUCTION	2	$ .2	55	2	0
TOTAL	37	$ 5.6	2050	19	18
REGION II					
WHOLESALE/RETAIL	2	.1	48	1	1
MANUFACTURING	2	$ .5	217	1	1
SERVICE	3	.4	124	3	0
OTHERS	3	.5	105	1	2
TOTAL	10	$ 1.5	494	6	4
REGION III					
WHOLESALE/RETAIL	5	.4	161	3	2
MANUFACTURING	2	$ .2	25	1	1
SERVICE	2	.2	230	1	1
TOTAL	9	$ .8	416	5	4
REGION IV					
WHOLESALE/RETAIL	2	.3	34	2	0
TRANSPORTATION	2	$ .2	38	1	1
OTHERS	7	1.1	374	7	1
TOTAL	11	$ 1.6	446	10	1
REGION V					
WHOLESALE/RETAIL	8	1.0	211	7	1
MANUFACTURING	11	1.3	540	8	3
SERVICE	15	2.2	710	10	5
TRANSPORTATION	1	.1	70	1	0
CONSTRUCTION	3	$ .6	145	3	0
TOTAL	38	$ 5.3	1676	29	9
REGION VI					
WHOLESALE/RETAIL	3	.5	126	3	0
MANUFACTURING	3	$ .7	94	3	0
SERVICE	1	.1	55	0	1
TRANSPORATION	2	1.0	107	2	0
OTHERS	1	.2	18	1	0
TOTAL	10	$ 2.5	400	9	1
REGION VII					
WHOLESALE/RETAIL	9	.9	106	8	1
MANUFACTURING	3	$ .5	409	1	2
SERVICE	5	.5	75	5	0
TOTAL	17	$ 1.9	590	14	3
REGION VIII					
WHOLESALE/RETAIL	1	.05	4	1	0
MANUFACTURING	1	$ .05	11	1	0
SERVICE	3	.4	7	3	0
TOTAL	5	$ .5	22	5	0

INDUSTRY	#	$	EMPLOYMENT OPPORTUNITY	BUSINESS EXISITNG	NEW
REGION IX					
WHOLESALE/RETAIL	12	2.6	285	9	3
MANUFACTURING	9	2.1	322	3	6
SERVICE	5	.7	45	4	1
TRANSPORTATION	1	.1	11	0	1
CONSTRUCTION	2	$ .7	165	2	0
OTHERS	1	.1	22	0	1
TOTAL	30	$ 6.3	834	18	12
REGION X					
WHOLESALE/RETAIL	2	$ .8	41	1	1
SERVICE	5	1.0	47	0	5
OTHERS	1	.01	22	0	1
TOTAL	8	$ 1.9	114	1	7
TOTAL	175	$27.9	7042	121	54

TABLE VI

NON-MINORITY, MINORITY ANALYSIS BY REGION
SECOND QUARTER FY 82

REGIONS	NON MINORITY #	$	JOBS	MINORITY #	$	JOBS
I	20	$ 2.9	1234	-0-	-0-	-0-
II	3	.4	224	-0-	-0-	-0-
III	5	.5	185	-0-	-0-	-0-
IV	5	.5	128	-0-	-0-	-0-
V	24	3.3	996	-0-	-0-	-0-
VI	6	1.8	226	-0-	-0-	-0-
VII	5	.3	52	-0-	-0-	-0-
VIII	4	.4	22	-0-	-0-	-0-
IX	17	3.7	586	7	$1.2	85
X	5	1.3	59	-0-	-0-	-0-
TOTAL	94	$15.1	3712	7	$1.2	85
			TOTAL FY 82 TO DATE			
I	37	$ 5.6	2050	0	$ -0-	-0-
II	10	1.5	494	0	-0-	-0-
III	9	.8	416	0	-0-	-0-
IV	11	1.6	446	0	-0-	-0-
V	38	5.3	1676	0	-0-	-0-
VI	10	2.5	400	0	-0-	-0-
VII	17	1.9	590	0	-0-	-0-
VIII	5	.5	22	0	-0-	-0-
IX	21	4.7	644	9	1.6	190
X	8	1.9	114	0	-0-	-0-
TOTAL	166	$26.3	6852	9	$ 1.6	190
			TOTAL ACTIVITY TO DATE			
I	78	$11.9	3406	0	$ -0-	-0-
II	19	4.0	801	0	-0-	-0-
III	19	2.4	729	5	.7	-0-
IV	22	2.4	665	0	-0-	-0-
V	62	9.2	2572	1	.5	70
VI	16	3.1	544	0	-0	-0-
VII	37	3.8	1029	6	.6	57
VIII	5	.5	22	0	-0-	-0-
IX	45	11.9	1954	27	6.7	1634
X)	20	4.8	423	0	-0-	-0-
TOTAL	323	$54.0	12,145	39	$8.5	1761

TABLE VII

LOAN APPROVALS BY STATE

STATE	SECOND QUARTER FY 82				TOTAL FY 82 TO DATE		TOTAL ACTIVITY TO DATE	
	#	%	$	%	#	$	#	$
Alabama	-	-	--	-	1	$ .09	1	$ .09
Arizona	1	1	$ .05	0	1	.05	7	2.19
California	23	22	4.9	30	29	6.3	65	16.5
Colorado	1	1	.04	0	1	.04	1	.04
Connecticut	1	1	.08	1	1	.08	3	.28
Delaware	-	-	-	-	-	--	4	.2
Georgia	1	1	.06	0	1	.06	1	.06
Illinois	2	2	.2	1	2	.2	6	.6
Indiana	1	1	.1	1	1	.1	1	.1
Iowa	1	1	.1	1	6	.9	8	1.2
Kansas	2	2	.06	0	2	.06	2	.06
Kentucky	3	3	.3	3	5	.6	9	1.0
Louisiana	3	3	1.2	7	4	1.5	7	1.9
Maine	1	1	.06	0	4	.5	5	.57
Maryland	4	4	.4	3	6	.6	12	2.0
Massachusetts	15	15	2.0	12	24	3.1	43	6.5
Michigan	5	5	.6	4	14	2.4	26	4.6
Missouri	2	2	.2	1	9	1.0	33	3.2
Montana	1	1	.04	0	1	.04	1	.04
New York	3	3	.4	3	10	1.5	19	4.0
North Carolina	-	-	-	-	1	.2	7	.4
Ohio	12	12	1.5	9	17	2.2	20	2.7
Pennsylvania	1	1	.1	1	3	.3	6	.6
Rhode Island	2	2	.5	3	5	1.4	20	3.2
South Carolina	1	1	.1	1	1	.1	2	.3
Texas	3	3	.7	4	6	1.0	9	1.2
Utah	2	2	.3	2	3	.4	3	.4
Vermont	1	1	.2	1	3	.5	7	1.4
Washington	5	5	1.3	8	8	1.9	20	4.8
Washington, DC	-	-	-	-	-	-	2	.4
Wisconsin	4	4	.8	5	6	.9	12	2.1
TOTAL	101	100	$16.3	100	175	$27.9	362	$62.5

TABLE VIII

LOAN APPROVALS BY CDC

CDC	SECOND QUARTER FY 82		TOTAL FY 82 TO DATE		TOTAL ACTIVITY TO DATE	
REGION I	#	$	#	$	#	$
Bay Colony Dev. Corp.	2	$ 421,000	3	$ 509,000	6	$ 1,391,000
Boston LDC	1	295,000	2	475,000	5	784,000
Brattleboro Dev. Cr. Corp.	1	200,000	3	537,000	6	1,288,000
Brockton Reg. Econ. Dev. Co.	1	194,000	3	408,000	5	515,000
Lynn Capital Inv. Corp.	1	126,000	1	126,000	1	126,000
New Haven Community Inv. Corp.	1	84,000	1	84,000	3	312,000
Northern Reg. Plann. Comm.	1	60,000	3	204,000	4	274,000
Ocean State Bus. Dev. Authority	2	520,000	4	1,061,000	13	2,333,000
Plymouth Ind. Dev. Corp.	2	156,000	3	303,000	4	633,000
South Shore Econ. Dev. Corp.	3	342,000	4	463,000	13	1,924,000
Springfield Small Bus. Assist.	5	485,000	8	873,000	10	1,182,000
Androscoggin Valley Reg Plann Comm	0	-	1	244,000	1	244,000
Central Vermont Econ Dev Corp	0	-	-	-	1	110,000
Pawtuckett Lc Com & Ind Dev Corp	0	-	1	315,000	5	583,000
Providence LDC	0	-	-	-	2	225,000
TOTAL	20	$ 2,883,000	37	$ 5,602,000	79	$11,924,000
REGION II						
Long Island Dev Corp	2	$ 305,000	7	$ 1,353,000	12	$ 3,018,000
Onondaga Ind. Dev Second	1	51,000	1	51,000	1	51,000
Hudson Dev.Corp	0	-	1	42,000	1	42,000
Monroe County Ind Dev. Corp.	0	-	1	81,000	1	81,000
Syracuse Econ Dev Corp	0	-	-	-	2	91,000
NF Dev Corp	0	-	-	-	1	500,000
LDC for City of Buffalo, Erie Co	0	-	-	-	1	230,000
TOTAL	3	$ 356,000	10	$ 1,527,000	19	$ 4,013,000
REGION III						
Allentown Econ. Dev Corp.	1	$ 108,000	3	$ 271,000	3	$ 271,000
Bedco Dev Corp	4	381,000	6	479,000	12	1,829,000
Erie City LDC	-	-	-	-	1	186,000
Urban LDC	-	-	-	-	2	130,000
Washington D.C. LDC	-	-	-	-	2	413,000
Wilmington LDC	-	-	-	-	4	206,000
TOTAL	5	$ 489,000	9	$ 750,000	24	$ 3,035,000
REGION IV						
Barren River Dev. District Inc.	1	$ 210,000	1	$ 210,000	1	$ 210,000
Charleston Citywide LDC	1	101,000	1	101,000	2	269,000
Commonwealth Sm Bs Dev. Corp.	2	90,000	2	90,000	2	90,000
Columbus LDC	1	62,000	1	62,000	1	62,000
Birmingham Citywide	-	-	1	92,000	1	92,000
Fayetteville Progress, Inc	-	-	1	166,000	1	166,000
Jacksonville LDC, Inc.	-	-	2	566,000	2	566,000
Louisville Economic Dev. Corp	-	-	2	305,000	6	726,000
Wilmington Industrial Dev Corp.	-	-	-	-	6	232,000
Total	5	$ 463,000	11	$ 1,592,000	22	$ 2,413,000

CDC	SECOND QUARTER FY 82		TOTAL FY 82 ACTIVITY		TOTAL ACTIVITY TO DATE	
REGION V	#	$	#	$	#	$
Akron Sm Bs Dev. Corp	2	$ 205,000	4	$ 499,000	4	$ 499,000
Cincinnati LDC, Inc.	1	130,000	2	229,000	2	229,000
Citywide Sm Bs Dev. Corp.	2	297,000	3	402,000	6	884,000
Cleveland Area Dev. Fin. Corp.	3	349,000	4	554,000	4	554,000
Columbus Citywide Dev Corp.	3	435,000	3	435,000	3	435,000
Community Dev Corp. of Fort Wayne	1	103,000	1	105,000	1	105,000
Forward Dev Corp	1	34,000	2	277,000	10	2,143,000
Grand Rapids LDC	3	587,000	5	911,000	8	1,258,000
Metropolitan Growth & Dev. Corp	1	26,000	2	526,000	2	526,000
Madison Dev Corp	2	444,000	2	444,000	2	444,000
Lawndale LDC	1	75,000	1	75,000	1	75,000
Milwaukee Econ. Dev Corp	2	336,000	2	336,000	4	1,336,000
South Central Ill. Reg.	1	157,000	1	157,000	1	157,000
Toledo Econ. Plng Council	1	83,000	1	83,000	1	83,000
Greater Kenosha Dev Corp	-	-	2	86,000	6	326,000
Jackson Local Dev Corp	-	-	2	93,000	3	124,000
Kalamazoo Sm Bs Dev Corp.	-	-	1	46,000	1	46,000
Greater Southwest LDC	-	-	-	-	2	199,000
Lawrence Avenue LDC	-	-	-	-	2	222,000
TOTAL	24	$ 3,263,000	38	$ 5,258,000	63	$ 9,645,000
REGION VI						
New Orleans Citywide Dev. Corp.	3	$ 1,161,000	4	$ 1,481,000	7	$ 1,912,000
San Antonio LDC,Inc.	1	51,000	2	112,000	4	334,000
Texas Capital Dev Corp.	2	634,000	4	871,000	4	871,000
TOTAL	6	$ 1,846,000	10	$ 2,464,000	15	$ 3,117,000
REGION VII						
Iowa Bs Growth Co.	1	$ 113,000	6	$ 879,000	8	$ 1,149,000
Central Ave. Betterment Assoc.	2	64,000	2	64,000	2	64,000
St. Louis LDC	1	34,000	5	368,000	18	1,300,000
St. Louis County LDC	1	131,000	1	131,000	6	825,000
Certified Dev Corp. SW MO	-	-	2	344,000	2	344,000
Crossroads LDC	-	-	1	149,000	4	386,000
Kansas City Corp. for Ind Dev	-	-	-	-	3	358,000
TOTAL	5	$ 342,000	17	$ 1,935,000	43	$ 4,426,000
REGION VIII						
Butte LDC	1	$ 43,000	1	$ 43,000	1	$ 43,000
Greater Salt Lake Bus. Ds	2	306,000	3	356,000	3	356,000
Manitou Springs Dev. Co.	1	38,000	1	38,000	1	38,000
TOTAL	4	$ 387,000	5	$ 437,000	5	$ 437,000

CDC	SECOND QUARTER FY 82		TOTAL FY 82 ACTIVITY		TOTAL ACTIVITY TO DATE	
REGION IX	#	$	#	$	#	$
Bay Area Empl Dev. Co.	6	$ 1,324,000	8	$ 2,026,000	13	$ 3,172.000
Calexico Ind. Dev. Corp.	1	77,000	1	77,000	2	132,000
Economic Dev. Corp. of L.A. County	2	355,000	2	355,000	2	355,000
LA Habra LDC	1	179,000	1	179,000	3	1,040,000
Long Beach LDC	2	757,000	2	757,000	3	986,000
Los Angeles LDC Inc.	2	398,000	2	398,000	8	2,774,000
Los Medanos Fund	2	804,000	2	804,000	5	1,738,000
San Diego County LDC	4	761,000	6	1,171,000	16	3,935,000
Tucson LDC	1	53,000	1	53,000	7	2,207,000
Union of Sm Cities	3	222,000	3	222,000	3	222,000
Economic Dev Foun. of Sacramento	-	-	2	285,000	4	1,253,000
Greater Bakersfield LDC	-	-	-	-	1	290,000
San Francisco Indus Dev. Fund	-	-	-	-	1	360,000
West Central Costa LDC	-	-	-	-	2	209,000
TOTAL	24	$ 4,930,000	30	$ 6,327,000	72	$18,673,000
REGION X						
Evergreen Community Dev. Assoc.	5	$ 1,280,000	6	$ 1,513,000	18	$ 4,407,000
Greater Spokane Bus. Dev. Corp.	-	-	2	380,000	2	380,000
TOTAL	5	$ 1,280,000	8	$ 1,893,000	20	$ 4,787,000
TOTAL	101	$16,239,000	175	$27,785,000	362	$62,470,000

TABLE IX

EMPLOYMENT OPPORTUNITIES PER CDC

CDC	SECOND QUARTER FY 82		TOTAL FY 82 TO DATE		TOTAL ACTIVITY TO DATE	
	JOBS	AVERAGE COST PER EMPLOYMENT OPPORTUNITY	JOBS	AVERAGE COST PER EMPLOYMENT OPPORTUNITY	JOBS	AVERAGE COST PER EMPLOYMENT OPPORTUNITY
REGION I						
Bay Colony Dev. Corp.	372	$ 1,132	402	$ 1,266	542	$ 2,565
Boston LDC	150	1,966	162	2,932	225	3,484
Brattleboro Dev. Cr. Corp.	100	2,000	277	1,939	494	2,607
Brockton Reg. Econ. Dev. Co.	51	3,804	94	4,340	130	3,961
Lynn Capital Inv. Corp.	24	5,250	24	5,250	24	5,250
New Haven Community Inv. Corp.	5	16,800	5	16,800	66	1,909
Northern Reg. Plann Comm.	5	12,000	49	4,163	73	4,274
Ocean State Bus. Dev. Authority	105	4,952	278	3,815	518	4,503
Plymouth Ind. Dev. Corp.	32	4,875	62	4,887	94	6,734
South Shore Econ. Dev. Corp.	208	1,644	223	2,076	453	4,247
Springfield Small Bus. Assist.	182	2,665	267	1,734	321	3,682
Androscoggin Valley Reg Pln Com	-	-	93	2,624	93	2,623
Central Vermont Econ Dev Corp	-	-	-	-	31	3,548
Pawtuckett Lc Com & Ind Dv Corp	-	-	114	2,763	282	2,067
Providence LDC	-	-	-	-	60	3,750
TOTAL	1234	$ 2,336	2050	$ 2,732	3406	$ 3,500
REGION II						
Long Island Dev Corp	211	$ 1,445	407	$ 3,324	571	$ 5,285
Onondaga Ind. Dev Second	13	3,923	13	3,923	13	3,928
Hudson Dev.Corp	-	-	5	8,400	5	8,400
Monroe County Ind Dev. Corp.	-	-	69	1,173	69	1,173
Syracuse Econ Dev Corp	-	-	-	-	24	3,791
NF Dev Corp	-	-	-	-	75	6,666
LDC for City of Buffalo Erie Co	-	-	-	-	44	5.229
TOTAL	224	$ 1,589	494	$ 3,091	801	$ 5,009
REGION III						
Allentown Econ. Dev Corp.	20	$ 5,400	46	$ 5,891	46	$ 5,891
Bedco Dev Corp	165	2,309	370	1,294	589	3,105
Erie City LDC	-	-	-	-	1	186,000
Urban LDC	-	-	-	-	14	9,285
Washington D.C. LDC	-	-	-	-	5	82,600
Wilmington LDC	-	-	-	-	74	2,783
TOTAL	185	$ 2,643	416	$ 1,802	729	$ 4,163

CDC	SECOND QUARTER FY 82		TOTAL FY 82 ACTIVITY		TOTAL ACTIVITY TO DATE	
	JOBS	AVERAGE COST PER EMPLOYMENT OPPORTUNITY	JOBS	AVERAGE COST PER EMPLOYMENT OPPORTUNITY	JOBS	AVERAGE COST PER EMPLOYMENT OPPORTUNITY
REGION IV						
Barren River Dev. District Inc.	42	$ 5,000	42	$ 5,000	42	$ 5,000
Charleston Citywide LDC	8	12,625	8	12,625	98	3,796
Commonwealth Sm Bs Dev. Corp.	40	1,875	40	1,875	40	1,875
Columbus LDC	30	2,066	30	2,066	30	2,066
Birmingham Citywide	-	-	13	9,230	13	9,230
Fayetteville Progress, Inc	-	-	24	6,916	24	6,916
Jacksonville LDC, Inc.	-	-	122	4,639	122	4,639
Louisville Economic Dev. Corp	-	-	142	3,950	224	5,246
Wilmington Industrial Dev Corp.	-	-	-	-	23	3,913
Total	120	$ 5,017	444	$ 5,507	629	$ 5,036
REGION V						
Akron Sm Bs Dev. Corp	18	$11,388	142	$ 3,450	142	$ 3,450
Cincinnati LDC, Inc.	82	1,583	98	2,776	98	2,776
Citywide Sm Bs Dev. Corp.	108	2,750	174	2,310	280	3,107
Cleveland Area Dev. Fin. Corp.	80	4,362	123	4,614	123	4,614
Columbus Citywide Dev Corp.	262	1,660	262	1,660	262	1,660
Comm. Dev Corp. of Fort Wayne	21	5,000	21	5,000	21	5,000
Forward Dev Corp	6	5,666	76	4,946	613	3,055
Grand Rapids LDC	97	6,051	120	7,591	194	4,702
Metropolitan Growth & Dev. Corp	9	2,888	255	2,062	255	2,062
Madison Dev Corp	35	12,685	35	12,685	35	12,685
Lawndale LDC	55	1,363	55	1,363	55	1,363
Milwaukee Econ. Dev Corp	187	1,796	187	1,796	677	1,800
South Central Ill. Reg.	17	9,235	17	9,235	17	9,235
Toledo Econ. Plng Council	19	4,368	19	4,368	19	4,368
Greater Kenosha Dev Corp	-	-	32	2,687	69	3,917
Jackson Local Dev Corp	-	-	48	1,833	92	3,586
Kalamazoo Sm Bs Dev Corp.	-	-	15	3,866	19	3,066
Greater Southwest LDC	-	-	-	-	11	18,295
Lawrence Avenue LDC	-	-	-	-	18	12,611
TOTAL	996	$ 3,276	1676	$ 4,237	3060	$ 4,258
REGION VI						
New Orleans Citywide Dev. Corp.	172	$ 8,795	175	$ 8,662	314	$ 6,255
San Antonio LDC,Inc.	14	3,642	72	1,555	72	4,653
Texas Capital Dev Corp.	80	2,625	153	3,692	153	3,692
TOTAL	266	$ 6,728	400	$ 6,542	539	$ 5,729

CDC	SECOND QUARTER FY 82		TOTAL FY 82 ACTIVITY		TOTAL ACTIVITY TO DATE	
	JOBS	AVERAGE COST PER EMPLOYMENT OPPORTUNITY	JOBS	AVERAGE COST PER EMPLOYMENT OPPORTUNITY	JOBS	AVERAGE COST PER EMPLOYMENT OPPORTUNITY
REGION VII						
Iowa Bus Growth Co.	14	$ 8,071	392	$ 2,242	447	$ 2,570
Central Ave. Betterment Ass	15	4,266	15	4,266	15	4,266
St. Louis LDC	3	11,333	41	8,975	282	4,609
St. Louis County LDC	20	6,550	20	6,550	160	5,156
Certified Dev Corp. SW MO	-	-	97	3,546	97	3,546
Crossroads LDC	-	-	25	5,960	55	7,018
Kansas City Corp. for Ind Dev	-	-	-	-	30	1,193
TOTAL	52	$ 6,576	590	$ 3,279	1086	$ 4,075
REGION VIII						
Butte LDC	11	$ 3,909	11	$ 3,909	11	$ 3,909
Greater Salt Lake Bus. Ds	7	43,774	7	50,857	7	50,857
Manitou Spring Dev	4	9,500	4	9,500	4	9,500
TOTAL	22	$17,590	22	$19,863	22	$19,863
REGION IX						
Bay Area Empl Dev. Co.	205	$ 6,458	242	$ 8,371	341	$ 9,302
Calexico Ind. Dev. Corp.	6	12,833	6	12,833	12	11,000
Economic Dev. Corp. of L.A. County	100	3,550	100	3,550	100	3,550
LA Habra LDC	17	10,529	17	10,529	294	3,537
Long Beach LDC	66	11,469	66	11,469	81	12,172
Los Angeles LDC Inc.	91	4,373	91	4,373	1312	2,114
Los Medanos Fund	88	9,136	88	9,136	235	7,395
San Diego County LDC	63	12,079	168	6,970	426	9,237
Tucson LDC	7	7,571	7	7,571	396	5,573
Union of SW Cities	28	7,857	28	7,857	28	7,857
Economic Dev Found. of Sacramento	-	-	21	13,571	188	6,664
Greater Bakersfield LDC	-	-	-	-	14	20,714
San Francisco Indus Deve Fund	-	-	-	-	140	?,571
West Central Costa LDC	-	-	-	-	21	9,952
TOTAL	671	$ 7,347	834	$ 7,586	3,588	$ 5,204
REGION X						
Evergreen Community Deve. Assoc.	59	$21,694	62	$24,403	371	$11,878
Greater Spokane Business Dev. Corp.	-	-	52	7,307	52	7,307
TOTAL	59	$21,694	114	$16,605	423	$11,316
TOTAL	3797	$ 4,276	7042	$ 3,945	13,906	$ 4,492

TABLE X

503 DEBENTURES SOLD TO THE FEDERAL FINANCING BANK

MONTHLY FUNDING SUMMARY

DATE	INTEREST RATES				
FY 1981	15-YEARS	20-YEARS	25-YEARS	$ AMOUNT	NUMBER
FEBRUARY 4	-	-	12.722	$ 308,000	1
MARCH	-	-	-	-	
APRIL 8	-	13.774	-	$ 532,000	2
MAY 6	-	14.469	-	$ 174,000	3
JUNE 10	-	13.349	13.234	$ 308,000	4
JULY 8	-	13.792	13.642	$ 1,170,000	7
AUGUST 5	15.114	14.933	14.768	$ 732,000	4
SEPTEMBER 9	15.650	15.472	15.456	$ 1,982,000	12
TOTAL				$ 5,206,000	33
FY 1982					
OCTOBER 7	-	15.262	15.134	$ 615,000	4
NOVEMBER 4	13.558	13.597	13.516	$ 2,966,000	15
DECEMBER 9	14.711	14.770	14.749	$ 2,584,000	16
JANUARY 6	14.312	14.337	14.278	$ 2,364,000	12
FEBRUARY 10	15.040	15.077	15.056	$ 4,880,000	23
MARCH 10	13.715	13.699	13.584	$ 5,200,000	32
TOTAL				$18,609,000	102
TOTAL				$23,815,000	135

TABLE XI

FUNDING OF CDCS

Second Quarter FY 82

CDC	15 YEARS	20 YEARS	25 YEARS	TOTAL SECOND QUARTER FY 82	TOTAL FY 82 TO DATE
Region I					
Bay Colony Dev. Corp.	$ 95,000	-	$ 789,000	$ 884,000	$ 884,000
Brockton Regional Corporation	-	$ 53,000	-	53,000	91,000
Northern Maine Reg. Plan. Comm.	74,000	74,000	-	148,000	148,000
Ocean State Bus. Dev Auth	110,000	-	-	110,000	815,000
Pawtuckett Lc Com Ind. Dev.	-	-	80,000	80,000	80,000
South Shore Eco. Dev	210,000	335,000	-	545,000	701,000
Springfield Sm Bus Asso.	104,000	-	-	104,000	300,000
Plymouth Ind. Deve Corp.	-	-	-	-	330,000
Total	$ 593,000	$ 462,000	$ 869,000	$1,924,000	$ 3,349,000
Region II					
Long Island LDC	123,000	355,000	-	478,000	976,000
The LDC for the City of Buffalo	-	-	-	-	230,000
Total	$ 123,000	$ 355,000	$ 0	$ 478,000	$ 1,206,000
Region III					
Washington, D.C. ,LDC	242,000	-	267,000	509,000	509,000
Wilmington LDC	-	108,000	-	108,000	168,000
Allentown Eco. Dev Corp.	-	-	-	-	111,000
Total	$ 242,000	$ 108,000	$ 267,000	$ 617,000	$ 788,000
Region IV					
Barren RIver Area Dev Dist Inc	-	210,000	-	210,000	210,000
Jacksonville LDC	-	498,000	-	498,000	498,000
Louisville Eco. Dev. Corp	-	-	-	-	196,000
Wilmington Ind. Dev., Inc.	-	-	-	-	47,000
Total	$ 0	$ 708,000	$ 0	$ 708,000	$ 951,000
Region V					
Cincinnati LDC	-	99,000	-	99,000	99,000
Citywide Sm Bs Dev. Co.	133,000	-	-	133,000	133,000
Forward Development Corp.	-	162,000	-	162,000	272,000
Grand Rapids Lc Dev Corp.	-	92,000	-	92,000	92,000
South Cent. Ill. Reg Pl Dev. Co	-	157,000	-	157,000	157,000
The Cleveland Area Dev Corp	-	-	244,000	244,000	244,000
Greater Southwest LDC	-	-	-	-	199,000
Lawrence Avenue Dev Corp	-	-	-	-	150,000
TOTAL	$ 133,000	$ 510,000	$ 244,000	$ 887,000	$ 1,346,000
REGION VI					
New Orleans Citywide Dev Corp	-	500,000	-	500,000	639,000
San Antonio LDC, Inc.	80,000	119,000	-	199,000	260,000
Texas Capital Dev Co, Inc.	-	338,000	237,000	575,000	575,000
Total	$ 80,000	$ 957,000	$ 237,000	$1,274,000	$ 1,474,000

CDC Region VII	15 YEARS	20 YEARS	25 YEARS	TOTAL SECOND QUARTER FY 82	TOTAL FY 82 TO DATE
Certified Dv Corp of SW MO	200,000	-	-	200,000	200,000
Iowa Business Growth Company	390,000	168,000	-	558,000	663,000
St. Louis Local Dev Co	360,000	-	25,000	385,000	468,000
Crossroads Eco. Dev Corp	-	-	-	-	115,000
TOTAL	$ 950,000	$ 168,000	$ 25,000	$1,143,000	$ 1,446,000
Region VIII					
Greater Salt Lake Bs Dist.	-	-	190,000	190,000	240,000
TOTAL	$ 0	$ 0	$ 190,000	$ 190,000	$ 240,000
Region IX					
Bay Area Employment Dev.Company	-	-	166,000	166,000	512,000
Calexico Ind LDC	-	55,000	-	55,000	55,000
La Habra LDC Inc.	-	-	361,000	361,000	361,000
Long Beach LDC	-	294,000	541,000	835,000	835,000
Los Angeles LDC	-	368,000	-	368,000	868,000
Los Medanos Fund Dev Corp	-	-	880,000	880,000	880,000
San Diego County LDC	1,251,000	-	-	1,251,000	1,616,000
Tucson LDC	-	-	500,000	500,000	500,000
Union of Small Cities Corp	-	99,000	-	99,000	99,000
Economic Dev Foun of Sacramento	-	-	-	-	721,000
San Francisco Ind Fund	-	-	-	-	$ 360,000
TOTAL	$1,251,000	$ 816,000	$2,448,000	$4,515,000	$ 6,807,000
Region X					
Evergreen Com Dev Asso.	-	-	628,000	628,000	$ 922,000
Greater Spokane Bus Dist.	-	80,000		80,000	80,000
TOTAL	$ 0	$ 80,000	$ 628,000	$ 708,000	$ 1,002,000
TOTALS	$3,372,000	$ 4,164,000	$ 4,908,000	$12,444,000	$18,609,000

APPENDIX E

LETTER OF JACK EVERSOLE, EXECUTIVE DIRECTOR, BARREN RIVER AREA DEVELOPMENT DISTRICT TO CHAIRMAN LAFALCE RE STATUS AS A NEWLY-CERTIFIED SBA 503 DEVELOPMENT COMPANY

JACK EVERSOLE
Executive Director

HENRY BRODERSON, Chairman
DONALD DOYEL, Vice-Chairman
BASIL W. GRIFFIN, Secretary
LUSKA J. TWYMAN, Treasurer

Wednesday, August 18, 1982

Honorable John J. LaFolce
Chairman
Subcommittee on General Oversight
Committee on Small Business
U. S. House of Representatives
2361 Rayburn Office Building
Washington, D. C. 20515

Dear Chairman LaFolce:

The Barren River Area Development District is a newly-certified SBA 503 Development Company. We are so new, we have completed only one transaction. But our Board of Directors is pleased to have accomplished this first objective.

We would appreciate your adding to the statistical material for your Committee the modest success of our first endeavor. The actual amount of the SBA investment was $210,000. For this amount, the reorganization of a small plant, which was about to be closed by a large parent organization, was completed. We were able to save 42 direct jobs and to save another 40 persons whose work was in spin-off activities. The cost of saving the 42 jobs ultimately will have been less than $20 each in Federal outlays.

We are proud to be associated with the 503 program. We hope that it can be made more flexible, especially in the uses we can make of it in rural areas.

Very truly yours,

Jack Eversole

Jack Eversole
Executive Director

P. O. BOX 2120 BOWLING GREEN, KY. 42101-1009 TELEPHONE 502 781-2381

APPENDIX F

STATE OF MICHIGAN

WILLIAM G. MILLIKEN, Governor

DEPARTMENT OF COMMERCE

NORTON L. BERMAN, Director

OFFICE OF ECONOMIC DEVELOPMENT
P.O. Box 30225
Lansing, Michigan 48909

Prepared Statement of Michael J. Finn,
Director, Small Business Development
Division, Michigan Department of
Commerce

THE SBA 503 PROGRAM IS ONE OF THE MOST RESPONSIVE AND EFFECTIVE PROGRAMS ENACTED BY THE FEDERAL GOVERNMENT TO ASSIST THE SMALL BUSINESS COMMUNITY. THIS PERSONAL APPRAISAL IS BASED UPON MY 11 YEARS EXPERIENCE AS A COUNTY OFFICIAL DIRECTING MULTI-FACETED DEVELOPMENT PROGRAMS AND NOW A STATE OFFICIAL DIRECTING PROGRAMS FOR THE SMALL BUSINESS SECTOR.

LET ME FIRST OUTLINE CONCEPTUALLY WHY THE 503 PROGRAM IS ON TARGET IN ITS DESIGN. THE PROGRAM STRESSES THE COMMITMENT OF PRIVATE LENDERS TO THE LOAN PROJECTS. THUS THE CREDIT REVIEW EXPERIENCE AND MANAGEMENT EXPERTISE OF PRIVATE SECTOR LENDERS IS PROVIDED. SECONDLY, THE PROGRAM IS VERY ATTRACTIVE TO PRIVATE LENDERS IN THAT IT ALLOWS THEM TO COLLECT MARKET RATES WHILE AT THE SAME TIME LIMITING THEIR EXPOSURE.

THE 503 PROGRAM ADDRESSES THE ACUTE NEED OF PROVIDING LONG-TERM FINANCING TO SMALL AND MEDIUM SIZE GROWTH COMPANIES, WHILE ALLOWING THE BORROWERS TO LEVERAGE A HIGHER LOAN TO VALUE RATIO AND THUS RETAINING MORE ABILITY TO MEET THEIR CASH FLOW REQUIREMENTS.

THE 503 PROGRAM DOES NOT INVOLVE A DIRECT EXPOSURE TO THE FEDERAL TREASURY BUT RELIES ON A READY SOURCE OF FEDERAL LONG-TERM FINANCING FOR POSITIVE REINVESTMENT BACK INTO THE U.S. SMALL BUSINESS COMMUNITY.

DURING A BRIEF 18 MONTH PERIOD FROM 1/81 TO 6/82 IN FLINT, MICHIGAN, A CITY SADDLED WITH THE HIGHEST UNEMPLOYMENT RATE IN THE COUNTRY, THE 503 COMPANY PROCESSED NINE LOANS TOTALING OVER $6,281,000 WORTH OF INVESTMENT (SEE ATTACHED). THESE LOANS WERE DEVELOPED IN COOPERATION WITH LOCAL COMMUNITY OFFICIALS AND THE PRIVATE BANKING COMMUNITY. THE RECEPTION TO THE PROGRAM WAS REMARKABLE GIVEN THE STATE OF THE LOCAL ECONOMY. A CREDIT TO THE SENSIBILITY AND TIMELINESS OF THE 503 PROGRAM.

I URGE YOUR CONTINUED SUPPORT OF THE PROGRAM.

FORWARD DEVELOPMENT CORPORATION
502/503 PROJECTS

Company	New Jobs	Bank	SBA	FDC	SBC	Total
502 PROJECTS						
Contour Fabricators (closed)	5	$382,500	Guarantee	$31,875	$ 10,625	$ 425,000
Lundsten Plastics (closed)		$504,000 $190,000	Guarantee 7A Guarantee	$42,000	$ 14,000	$ 560,000 $ 190,000
Zefflamb Industries (closed)	10	$225,000 $138,800	$225,000 7A Guarantee	$37,500	$ 12,500	$ 500,000 $ 138,800
Automa Corporation (closed)	50	$153,000 $185,000	$ 76,500 7A Guarantee	$24,000	$ 1,500	$ 255,000 $ 185,000
Gd. Blanc Restaurant (approved)	30	$550,000 $164,450	Guarantee 7A Guarantee	--	$121,450 $ 39,550	$ 671,450 $ 205,000
TOTAL	95					$3,130,250
503 PROJECTS						
Fen-Tec (closing)	10	$460,000	$350,000 (D)	--	$ 90,000	$ 900,000
L & L Precision (closing)	10	$143,000	$ 83,400 (D)	--	$ 25,200	$ 251,600
Model Laundry (closing)	7	$116,000	$ 77,000 (D)	--	$ 22,000	$ 215,000
Duchess Trail Foods (closing)	10	$125,000	$110,000 (D)	--	$ 33,000	$ 268,000
B & B Associates #1 (closing)	30	$255,000	$162,000 (D)	--	$ 46,000	$ 463,000
B & B Associates #2 (in process)	30	$250,000	$200,000 (D)	--	$ 50,000	$ 500,000
National Cartage (approved)	30	$1,200,000	$500,000 (D)	--	$600,000	$2,300,000
Evelyn Angel (in process)	2	$ 42,600	$ 34,000 (D)	--	$ 8,400	$ 85,000
MBR Enterprises (closing)	9	$305,350	$243,000 (D)	--	$ 61,000	$ 609,350
R. L. White Steel Erectors (approved)	30	$378,000	$276,000 (D)	--	$ 69,000	$ 690,000
TOTAL	168					$6,281,950

(D) = Debenture

This document paid for with State funds

MS:mm
11/6/81